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A Children's Defense Budget:
An Analysis of the President's Budget and Children

Children's Defense Fund
1520 New Hampshire Avenue, N. W.
Washington, D. C. 20036
(202) 483-1470

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CONTENTS

Acknowledgments ix

Foreword xi

CDF's Overriding Goals xiv
Specific Steps You Can Take xvi

Part I: Children and the President's Budget 1

1. Overview: A Children's Report Card 3

The Numbers 3
The People Behind the Numbers 6
The Reagan Cuts Unfairly Hurt Children 10
Helping the Rich While Hurting the Poor 11
Bombs Over Babies 14
The Reagan Budget Robs the Future and Will Cost Rather than Save Money 19

2. Reagan Myths and Reality: The Accuracy Gap 23

1. Social Programs for the Poor are the Cause of Federal Budget Deficits 23
2. We Are Going to Put People Back to Work and Decrease Dependency 25
3. A Rising Tide Lifts All Boats 26
4. Government Is the Problem. Federal Programs Have Been Costly Failures. 27
5. State and Local Government Will Be Able/Willing to Pick Up the Responsibilities Now Performed by the Federal Government 29
6. The Private Sector Can/Will Meet the Employment Needs of American Citizens and Pick Up the Social Responsibilities Dropped by the Federal Government 31
7. Volunteers Can Plug the Gap Left by Federal Funding Decrease 33
8. The Federal Government has Grown Too Big and Inefficient. State and Local Governments are More Efficient. 34
9. We Are Getting Government Off the Backs of Citizens 35
10. The "New Federalism" Is New 36

Part II: Specific Children and Family Programs: FY 1982 and FY 1983 Budget Impacts 39

3. Child Welfare and Adoption 41

The Problem 41
What Happened in the FY 1982 Budget? 42
What is Proposed for FY 1983? 43

4. Medicaid 45

Background and Need 45
What Happened in the FY 1982 Budget? 46
What is the Impact of the FY 1982 Cuts? 48
The 1983 Budget 49
How Will Children and Mothers be Affected by Requirements to Share the Cost of Medical Care? 49
How Will Children and Mothers be Affected by Further Reductions in Federal Funds for Medicaid in FY 1983? 51
The Longer-Range Agenda--The "Swap" 54

5. Aid to Families with Dependent Children 56

The Problem 56
What Happened in the FY 1982 Budget? 57
Impact of the FY 1982 Changes 59
What is Proposed for FY 1983? 60

6. Food Stamps 64

Background 64
Food Stamp Cuts Made in FY 1982 65
New Proposals for FY 1983 66

7. The New Federalism and the Proposal to Transfer Food Stamps and AFDC to the States 71

Major Issues 72
New Block Grants 73
The Proposal to Transfer Food Stamps and AFDC to the States 76
The Reagan Administration's Illustrative List of Programs for Turnback to the States 83

8. Health Services for Mothers and Children 85

Background 85
Even Before FY 1982 Health Cuts, Millions of Mothers and Children Went Without Health Services 86
What Happened in the FY 1982 Budget? 87
What is the Impact of the FY 1982 Cuts? 88
The FY 1983 Budget 90
The Longer-Range Agenda--"New Federalism" 91

9. Supplemental Food Program for Women, Infants, and Children 92

Background: Who Benefits? 92
What the Program Has Accomplished 92
What Happened in the FY 1982 Budget? 93
The FY 1983 Budget 94

10. Child Nutrition 95

Feeding America's Children 95
The Impact of the FY 1982 Budget Cuts 95
The Administration's Proposals for FY 1983 97

11. Mental Health 99

The Problem 99
What Happened in the FY 1982 Budget? 100
What is Proposed for FY 1983? 101

12. Head Start 103

What is Head Start? 103
Who Benefits from Head Start? 103
Head Start Works 104
What are the Effects of FY 1982 Budget Cuts on Head Start? 105
What the Administration is Proposing in FY 1983 106

13. Child Care 109

The Problem 109
What Federal Programs Exist and Who Benefits? 110
What Impact Will the FY 1982 Cuts Have? 111
The Proposed FY 1983 Budget Cuts 115

14. Title I Compensatory Education 117

What is Title I? 117
The FY 1982 Budget Cuts 118
The Administration's FY 1983 Proposals 119

15. Education of the Handicapped--P.L. 94-142 120

The Problem 120
The Administration's Proposals 121

16. Employment 124

The Problem 124
Employment Cuts in FY 1982 125
FY 1983 Proposals 126
The Administration's Proposal to Replace CETA 127

17. Low-Income Housing 129

Federally Assisted Housing 129
Who is Served by Federal Housing Programs? 129
The Effects of the FY 1982 Budget Cuts 130
The Administration's FY 1983 Budget Proposals 130

18. Low-Income Energy Assistance Program 132

The Problem 132
Who Receives Low-Income Energy Assistance? 133
Changes in the Energy Assistance Program in FY 1982 134
Administration Budget Proposals for FY 1983 135

19. Runaway and Homeless Youth 137

The Problem 137
The Federal Response 138
What Happened in the FY 1982 Budget? 139
What is Proposed for FY 1983? 140

20. Juvenile Justice and Delinquency Prevention 141

The Issue 141
What Happened in FY 1982? 142
What is Proposed for FY 1983? 142

21. Legal Services, S. 807, and Administrative Dismantling of Existing Laws 144

Statement of the Problem 144
FY 1982 Proposals 145
FY 1983 Proposals 147

22. Civil Rights 150

Administrative Activity 151
Legislative Activity 153

Part III: Alternative Budget Cuts for FY 1983 155

23. Alternative Budget Options 157

Appendices 169

Categorical Children's Programs, FY 1982 and FY 1983 171

Entitlement Programs, FY 1982 and FY 1983 178

Family Protection Act 179

Levels of Participation in Human Service Programs by Race 185

State Year-End Fund Balances as a Percentage of General Fund Spending, State Fiscal Years 188

Comparison of Growth Over Time in Federal and State (including Local) Government Employment and Domestic Expenditures 190

Federal Expenditures for Individual Entitlement Programs, Fiscal Years 1975, 1981, and 1982, and Percentage Increases 191

How Poor Economic Conditions Affect the Federal Deficit 193

Effects of the Omnibus Reconciliation Act of 1981 on Sharon Haller 194

Sample Letter 196

Other Resource Organizations 197

Key Members of Congress on Children's Issues 199

Senate and House Schedules 1982 208

The Congressional Budget Timetable 209

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FOREWORD

The budget battle in 1982 is a battle for a fair and decent America. It is a battle about whether we will continue to invest federal dollars in the young, in families, in the needy, and in working men and women or whether we will invest in the rich and in more and more arms, which leads us down the path of economic and moral bankruptcy. It is a battle about whether we invest in human capital-- new generations of healthy, well-educated, productive citizens --or whether we choose short-term profit and easy political fixes. It is a battle about who and what we Americans are as a people and as a nation.

It is our strong view as a Children's Defense Fund (CDF), based upon the unfair impact of the FY 1982 Budget and the faulty premises undergirding the FY 1983 Budget, that not another dime should be taken from programs for poor, handicapped, and homeless children or their families. Nor should another minute be diverted into a "New Federalism" debate when 9½ million Americans are out of work and millions of others are going without the basic necessities of food, energy, housing, and health care.

There may indeed be a time for a thoughtful federalism debate; but this is not it. The Reagan proposals cannot be tinkered with, refined, or fleshed out. They should simply be rejected as unjust and unworkable. Their goal is <u>not</u> to help people <u>or</u> to increase government effectiveness, but rather to cut dollars without regard for human consequences.

This book is CDF's report card on the 1982 budget and a detailed analysis of the President's 1983 budget. We offer a series of alternative budget choices that are fair, more cost-effective, and do not hurt children. We examine the flawed mythology upon which the Reagan economic policy and budget are based, and outline steps advocates can take to protect children in 1982. To round out the picture and to show the ideological inconsistency of an Administration and its Congressional allies who profess to be pro-family, we include in our appendix an informational analysis and update on the status of the Family Protection Act.

CDF has three overriding goals this year:

1. Maintaining the existing federal framework of critical children's programs that are demonstrably cost effective and successful, or are designed to meet basic survival needs and ensure minimal opportunity for the most vulnerable children in our society that will not otherwise be met.

   - The Adoption Assistance and Child Welfare Reform Act of 1980
   - The Education for All Handicapped Children Act
   - Title I of The Elementary and Secondary Education Act
   - Head Start
   - Medicaid Preventive Health Programs for poor children and mothers
   - Federal AFDC Income Supports
   - Child and Family Nutrition Programs; Food Stamps; Child Care Food; School Lunch and School Breakfast Programs
   - Legal services for the poor and protections for homeless and troubled adolescents.

For each we set out the facts and show how, in FY 1982, Reagan Administration cuts and changes are hurting the neediest, increasing taxpayer burden, fostering dependency rather than productivity, and decreasing rather than increasing the likelihood of government efficiency.

2. Stopping the across-the-board massive budget assault on entitlement programs designed to help the poor and young. CDF will join with other groups to counter cuts not only in AFDC, Food Stamps, and Medicaid, but also in low-income energy and housing assistance, and job training and development.
3. Joining a broader coalition of interests to fight for a fair budget. Governors, mayors, and chief state school officers are groups with which we have sometimes been at odds on specific issues. In this year's budget battles, child advocates and they share common interests on many budget issues. There are those who would pit children against the elderly. But new assaults on the elderly are not far behind if this year's assaults on the neediest children and families succeed. Indeed, many of the elderly poor, like children, will suffer greatly from cuts in programs like Medicaid, Food Stamps, and others which are included in this budget analysis.

Not Experts But Citizens

CDF's first concern is for children and their families. But we confront in this document the broader issues that impact upon the national capacity to invest in children: the giveaways to the rich in the Economic Recovery Act; the speed with which tax reductions should be implemented; and huge unfair military expenditures. Although some will say that because we are not tax experts or strategic military planners we should say nothing about

these areas which entail major shifts in national priorities, we disagree. While experts have a role to play in guiding our national debate on economic and defense policy, in the final analysis, it is ordinary people like you and us--the non-experts--who should have the final say about what we want to stand for as a people and nation. This year's decisions on military, tax, and social program spending will dictate the nation's choices, indeed shape the national character, for decades to come. They are far too important to leave to the politicians or the experts.

What Each of Us Can and Must Do

We hope all of you who read this budget analysis will do so believing that you can and must do something about what you read.

We at CDF are not pollyannas who think the big and complex problems of the economy are solvable easily or overnight. But we also are not Jeremiahs who think they are insolvable or beyond the ability of average citizens to affect if we break the problems down into manageable pieces for action. Because we cannot all do everything does not exempt a single one of us from doing what we can with what we have where we are. Each of us must reach out our hands to the less fortunate around us through private charitable acts and through more organized community and religious group action. But each of us must also lift our voices and pencils to speak and write to our political leaders about budget priorities in 1982.

We cannot dismiss actions as those of "the government" or "the Congress" unless we have made our views known to them. It is "our government." They are our elected officials. What they do this year is our responsibility.

If the results of 1981 that we describe here repeat themselves in 1982, it will be our shame and responsibility and not just that of the Reagan Administration and its allies in the Congress.

Each of us must act with the firm conviction that individuals can make a difference if we care, and if we bring to that caring skill, persistence, and targeted action. But caring and good intentions are not enough. Engaging in a one-shot protest is not enough. We hope every child advocate and citizen, knowing the world is always a place of imperfect choices, will work hard and continuously to make it into what we need and desire it to be over time for our children--even when we doubt that we can.

Those of us who seek a fair opportunity for every child can win in 1982. We won some important victories for children in 1981. We have so much more to fight for and with than Mr. Stockman. All he has is numbers that don't add up. We have the lives of millions of children who need our help if they are to grow up healthy, educated, uncrippled, and with a family. Your voice, in chorus with that of many individual others, will make the critical difference in whether Mr. Stockman wins or children win. We can't think of a more important fight to have.

If we could stop the arms race and nuclear proliferation this year, we would. If we could bring instant peace to the Middle East and racial justice to South Africa, we would. If we could make economists figure out how to solve inflation and ease the pain of widespread unemployment, we would. If we could make all the candidates running for re-election this year tell the truth, vote their consciences, and do what's best for the nation, we certainly

would. And we will speak out and think about all these big things because they are related to the "smaller" problems of the children and families who are the foundation of the national future to come. Meanwhile we can help solve some of the specific critical problems of children and have decided to dig in doggedly on that smaller piece that, with your help, we can win.

Specific Steps You Can Take

We at CDF are working at once in three arenas, and you can help. We are working in Washington, at the state and local levels, and through direct, personal action. Please take one or more of the steps below to show your concern for children and the poor in 1982.

In Washington

1. URGE YOUR SENATORS AND REPRESENTATIVES, FRIENDS, CONGREGATIONS, AND ORGANIZATIONS TO SAY NO TO:

   - any additional cuts in social programs for the poor in 1982
   - any "New Federalism" debate until the economy is stabilized, people are back to work, and states and localities are capable of funding and equitably running these programs
   - any increase in defense spending not accompanied by equivalent savings, cuts, and efficiencies in the military establishment
   - phases 2 and 3 of the tax giveaway provisions of The Economic Recovery Act.

   URGE YOUR CONGRESSPERSONS AND SENATORS TO SAY YES TO:

   - a Select Committee on Children soon to be proposed by Congressman George Miller (D-Cal.) and Rep. James Jeffords (R-Vt.) which could provide a new national spotlight for issues affecting children that now move almost invisibly through the Congress.

- A Children's Survival and Human Capital Development bill CDF will seek to have introduced in Congress which will transfer specific and reasonable sums of money from cost-ineffective defense and domestic programs to specific cost-effective children's investment programs.

Children's advocates must affirm the policies and principles of investment in children. We should not be trapped in a negative defense of a discredited status quo. Something is wrong with America: it does not invest enough in its future--its children. We can state that case positively and look forward while the opposition defensively pleads its case for turning the clock backward.

2. RESPOND TO THE PRESIDENT'S BUDGET PROPOSALS. Call the White House opinion line — 202-456-7639 -- and express whatever opinion you have. Organize at least one letter offering or telephone call-in to your Senator and Congresspersons on cutbacks in the budget that most concern children in your community. The Congressional switchboard number is 202-224-3121. Just ask for your Senator or Representative by name when the operator answers.

   You can also call or write to your representative's local office in your state. A sample letter is included in the appendix. It does not have to be fancy.

3. INVITE YOUR CONGRESSPERSONS AND SENATORS TO YOUR CHURCH, SYNAGOGUE, OR GROUP WHEN THEY ARE BACK HOME. Your representatives will be more influenced by what they hear or do not hear from you about children and poor families than anything CDF and others do in Washington. After all, you are the people who elect them. A schedule of Congressional recesses is included in the appendix along with the timetable of the Congressional

budget process to help you determine when you can make the most difference.

At State and Local Levels

4. TELL YOUR GOVERNOR, STATE LEGISLATORS, MAYORS, AND CITY COUNCIL MEMBERS WHAT YOU THINK OF THIS FEDERAL BUDGET. The "second front" of children's advocacy is in every state and city in America. State and local officials need to hear from advocates so they can stiffen their own resistance to the Reagan proposals. Urge them to speak out now, and send us copies of their remarks.

5. JOIN CHILD WATCH: LOOKING OUT FOR AMERICA'S CHILDREN. This is a public education and monitoring project CDF is undertaking in collaboration with the Association of Junior Leagues to track whether and how badly current federal and state budget cutbacks are hurting needy children and families in communities throughout the country. Are more children being abused or placed in foster care because of their parents' unemployment or loss of welfare, food stamps, and Medicaid? Are hospitals refusing treatment to high-risk pregnant mothers because their babies may require longer care than Medicaid will pay for?

On Your Own

6. LOOK AT THE PEOPLE AND FINANCIAL RESOURCES OF YOUR CONGREGATION, CIVIC CLUB, COMMUNITY, AND SEE WHETHER YOU COULD DO MORE TO REACH OUT TO AND HELP:

   - unwed mothers who need a place to come to be less lonely and learn how to be better parents;
   - working parents and those under stress who need child care that is often not available at prices they can afford and which will shrink further with budget cutbacks;

- children who are failing in school who would benefit from tutoring;
- medically indigent children, families, or elderly who cannot get needed health care from other public or private sources;
- homeless children who need a permanent loving family. If every church decided to see that one child in foster or institutional care was adopted, there would be an enormous decrease in the homeless child population and in public outlay.
- the poor and hungry and jobless near you who will face severe and multiple cutbacks in jobs, social services, and decreased unemployment compensation.
- the institutionalized who need loving hands and bridges back to a caring community.

7. If you are uncomfortable about or not able to participate in an organized or political action, DECIDE TO TAKE ONE ADDITIONAL, PERSONAL, CARING ACT to help at least one individual child or family that you might not otherwise have done. The President claims that he tithes in private; perhaps you can tithe in private with your time, giving one-tenth of your time after work to helping others.

8. PRAY FOR NEEDY CHILDREN AND FAMILIES AND FOR THE LEADERS, WHO MUST DECIDE THE FATE OF SO MANY OF THEM, THAT THEIR DECISIONS MAY BE GUIDED BY FAIRNESS AND JUSTICE.

Marian Wright Edelman
President
Children's Defense Fund

Part I

Children and the President's Budget

CHAPTER 1

OVERVIEW:

A CHILDREN'S REPORT CARD

The Reagan Administration has earned a resounding F for its care and concern for the nation's children in 1981--a grade it seems bent on repeating in 1982.

It has earned its failing grade on each of five performance standards: fairness; compassion and honesty; thrift with taxpayers' money; careful process and analysis; and concern for the future.

All of these are values and skills we should want our children to learn. They cannot if we adults, especially our national leaders, do not begin to practice them.

The Numbers

Critical children's programs described below were cut by $10 billion in FY 1982. President Reagan is proposing to cut an additional $8 billion in FY 1983. This includes a one-third cut in Title I and WIC; a one-fifth cut in child welfare; a one-fourth cut in job corps and youth employment programs; and almost $5 billion in AFDC, food stamps, and Medicaid. If we look at a broader range of programs that affect poor, handicapped, and homeless children and their families, proposed reductions total a massive $27 billion in FY 1983 alone. This includes $22 billion in new FY 1983 cuts and a proposed $5 billion in rescissions from enacted FY 1982 budget levels. (See detailed chart in appendix.)

Effects of Budget Cuts on Selected Children's Programs

Selected Federal Programs Vital to Children and Families[a]	Current Program Level[b] (millions)	FY 1983 Proposed Cut[c] (millions)	FY 1983 Proposed Cut[d] (percent)	Total Cut by Reagan Administration[e] (percent)
Categorical Grants				
Compensatory Education (old Title I)	$ 2,886	$ 944	- 32.7%	- 51.0%
Handicapped Education (P.L. 94-142)[f]	1,042	196	- 18.8	- 29.6
Maternal and Child Health Block Grant[f]	348	0	0.0	- 29.7
Mental Health Block Grant	432	0	0.0	- 26.3
Child Welfare, Foster Care, and Adoption Assistance[f]	492	112	- 22.7	- 29.4
Child Abuse State Grants	7	2	- 31.3	- 37.8
Social Services Block Grant	2,400	426	- 17.7	- 36.3
Juvenile Justice and Runaway Youth	81	74	- 91.8	- 94.8
Head Start	912	0	0.0	+ 0.9
Energy Assistance[g]	1,752	452	- 25.8	- 29.7
Supplemental Food (W.I.C.)[f]	934	282	- 30.1	- 36.6
Child Nutrition (School Lunch, Breakfast, Child Care Food, others)[f]	3,504	680	- 19.4	- 44.3
Job Corps and Youth Employment[f]	1,418	366	- 25.8	- 59.1
Major Entitlements				
Aid to Families with Dependent Children (AFDC)	6,609	1,155	- 17.5	--[h]
Medicaid	14,461	1,536	- 10.6	--[h]
Food Stamps	11,825	2,294	- 19.4	--[h]
Total	$ 49,103	$ 8,518	- 17.3	--[h]

Notes

[a] A larger list of programs of importance to children and families can be found in the Appendix. Housing programs, shown in the Appendix, are not included here only because their multi-year budget authority would appear disproportionate -- the housing programs themselves are obviously vital to low-income children.

[b] This is FY 1982 budget authority as set in the Continuing Resolution (P.L. 97-92) or its successor appropriation acts for the categorical programs. For the major entitlements, this shows FY 1983 current service estimates from the Office of Management and Budget, based on the provisions of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35).

[c] These cuts do not include either the uncompensated effect of inflation upon the categorical programs -- at least $800 million -- nor the effect of President Reagan's rescission proposals for additional reductions in FY 1982 budget authority beyond those already enacted by Congress -- approximately another $5 billion.

[d] This is column two as a percentage of column one. An accounting change in the Medicaid program leads to some underestimate of the actual percentage of current services lost to low-income children and their families.

[e] The base figures from which these percentages were computed are in the Appendix table. The percentages reflect all the changes enacted or proposed by the President since he took office, including FY 1981 rescissions, FY 1982 reductions, proposed FY 1982 rescissions, and FY 1983 proposed reductions. They understate the loss of actual services in general since they contain no allowance for price increases from FY 1982 to FY 1983. These percentages cannot now be computed for the major entitlements because we lack credible estimates of the impacts in FY 1983 of the changes enacted for FY 1982 in P.L. 97-35. For the categorical programs shown here, the loss totals $8.770 billion out of $21.443 billion, or 40.9 percent.

[f] Most of these programs (which include some smaller entitlements) are proposed for inclusion in the several new or enlarged block grants described in the Administration's budget message to Congress for FY 1983.

[g] Does not include a $123 million supplemental added by Congress after the President's budget was submitted.

[h] The corresponding percentage cannot be computed; see note e.

The People Behind the Numbers

President Reagan has repeatedly insisted that he is not hurting the truly needy and has not turned his back on the poor. This is demonstrably untrue.

As we show below, the FY 1982 budget cuts are causing widespread human suffering. Any additional FY 1983 social program cuts will exacerbate the already dire plight of poor children.

Mrs. X in West Virginia

The Intercounty Health Center in Martinsburg, West Virginia was begun in 1977 because the impoverished Appalachian population it serves had nowhere to go for health care. Many of the patients are members of poor two-parent families and therefore do not qualify for either Medicaid or AFDC. Without Medicaid or any other insurance, and with no cash, they could not get health care. Intercounty's caseload was 60 percent Medicaid, 5 percent Medicare, and 35 percent uninsured. The uninsured families are mostly poor working mothers and their children or poor two-parent unemployed families. Recently, large numbers of Medicaid holders have begun to lose their benefits. The Center has laid off two workers and may have to close. Since October, the flow of Medicaid and other federal funds (WIC, family planning, etc.) has dried up almost completely. The clinic has not been paid for a single child health EPSDT screen since October 1, 1981.

One story in particular stands out: that of a young mother with six children, recently abandoned by her husband after he lost his job this fall. For reasons that no one at the clinic can ascertain, she lost her AFDC, Medicaid, and public housing on December 31. She has been forced to move into a shack in the mountains with no heat, electricity, or running water. The clinic social worker is now trying to help, but they say that it's almost impossible--people are losing their benefits wholesale without explanation.

The job service in Martinsburg is seeing 800 people per day. There are no jobs and families are starving. They say: "It is the worse that anyone has ever seen."

Mrs. Ruby S. in Texas

Mrs. S. has three children and lives in East Texas. She has a part-time job from which she earns about $250 a month. Because her earnings are greater than 150 percent of the standard of need in Texas for an AFDC family of four, she recently lost her $25 a month AFDC check and Medicaid card. One of her children, Jamie, is 10. He has severe respiratory problems and needs to see a doctor for treatment and medications at least once a month. Jamie was hospitalized last year for his condition. Now that his mother has lost her Medicaid, no health care is available for Jamie in Cherokee County. Her choices: travel 180 miles to the University Hospital at Galveston; travel 100 miles to Dallas and lie to the hospital about her true county of residence; or give up her job and get her AFDC and Medicaid card back. She refuses to give up her job, at least for now. If Jamie becomes seriously ill, however, she does not know what her choices will be.

Mrs. S. Haller in Ohio

Unlike Mrs. S., Mrs. Haller decided to quit her job and go completely on welfare after she determined that under the new Reagan AFDC policies she would gain $1 a month in AFDC benefits by working and lose $9 a month in food stamps and her Medicaid card - the only way her children can get needed health care.*

She and her 3 children live in a rural, white, poor section of Ohio. Until recently, Mrs. H made $3.50 an hour driving a school bus 20 hours a week. She took home $34 a week when school was in session. Her family received a $272 AFDC check and $146 in food stamps. Their daily budget was $14, including food stamps, which averaged 37 cents a person a meal.

Recently, the Ohio Department of Public Welfare conducted a "desk review" of the Haller family. Because

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* See Appendix for a detailed breakdown of Mrs. Haller's AFDC and food stamp benefits with and without a job and before and after the FY 1982 budget cuts took effect.

of AFDC cutbacks Mrs. H was told her AFDC and Medicaid benefits would be ended in four months because she worked. She would also have to take a "Workfare" job the Welfare Department would designate for at least five hours a week since all recipients must work a minimum of 25 hours a week and her school bus driving job was only 20 hours a week.

Mrs. H has said repeatedly that she has worked all her life and hates being on welfare. But since her ex-husband refuses to help support the children and she wants to be home when the children get home from school--"I think it's important for our family that I spend as much time as I can with my children when they're young"--she quit her job.

Mr. and Mrs. S in Tennessee

George and Donna S. live in rural Tennessee with their three children. Donna is 7 months pregnant. She has received no prenatal care because she cannot afford it, but does receive food supplements through the WIC program. She suffers from anemia and has had a kidney infection throughout the pregnancy. The family currently has no income at all. $277 a month in food stamps and WIC is what keeps them alive.

Their home is heated with wood gathered from the lot. They have a car but cannot use it because they do not have the money to buy gasoline to keep it running. They get water from a well and have no running water in the summer months. They have no telephone and Donna walks a mile to use the nearest one.

George used to earn some money for the family by doing odd jobs. He cannot find work anywhere now, though he has made repeated trips to the State of Tennessee Division of Employment Security to register for work through its manpower services program. He has also attempted to find work from private employers in Gainesboro, including the town's hospital, nursing home, boot factory, and restaurants. Sometimes he picks up money by mowing lawns or painting houses.

George sought welfare but because the state does not provide AFDC to intact families where a parent is unemployed, the family does not qualify. Even though the family has no income whatsoever, the state refused to provide the S.'s children Medicaid.

Because their food stamp allotment is so low, the

children's diet is very poor. They subsist mostly on potatoes and beans and two are underweight. One child's health is poor. In addition to being underweight and anemic, she is lethargic and developed a rash and illness last winter. They were unable to get a doctor to see her. Finally, one doctor agreed to see her if she came to Jackson County Hospital emergency room where families have to pay before they leave. They were unable to pay and did not take her to the hospital. Once before, a family member had come to the hospital for treatment without paying and the hospital was extremely upset. Now no doctor will see the children unless the parents have insurance or cash in hand.*

Over a million medically needy families like the S.'s stand to lose all health benefits as a result of Reagan Administration cutbacks and regulations which we believe violate congressional intent.

Human suffering and denial abound as states are forced to cut back on services. They must be seen behind the callous budget cuts Mr. Stockman sees as easy numbers. For example:

- Six states--Washington, Oregon, Missouri, Kentucky, Iowa, and Utah--have eliminated Medicaid for children living at home with parents who have lost or have no jobs like the S.'s.

- Virginia is proposing to stop Medicaid coverage completely for blind and disabled children under 18.

- South Carolina is proposing limiting the number of hospital days for which Medicaid will pay to 10 days per year. Tennessee is proposing a hospital cap of 14 days per year. Arkansas, which has different ceilings on hospital stays for certain types of illness, reportedly allows only 6 days of coverage per year for certain premature infants. Even in Maryland, where a 20-day limit per spell of illness has been used, 30 percent of premature babies need to be hospitalized longer but their families had no way to pay.

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* The S. family was given a Medicaid card in December, 1981, in response to a lawsuit CDF filed alleging they had been illegally denied benefits. [Stacey, et al. v. Schweiker, et al., Civ. Act. 81-2974 (U.S.D.C.D.C., filed 12/9/81)]

- The danger of dumping--that is, refusing to admit poorly insured people for fear they won't be able to pay their medical bills--is an increasing phenomenon.

- For several years, the state of Michigan has suffered poor economic conditions resulting in funding reductions, service cuts, personnel cuts, and hiring freezes. The federal cuts compound the problems for a state whose citizens are already straining under the burden of rising unemployment.

  - In Detroit and Wayne County, three major health centers serving high risk pregnant women and their newborns have been closed down affecting 600 women and almost 11,000 children.

  - Local family planning projects are being reduced by 25 percent. This reduction will result in no family planning services to 21,500 people and result in nearly 9,700 unintended pregnancies.

The Reagan Cuts Unfairly Hurt Children

OMB Director Stockman in the December 30, 1981 Atlantic Monthly said:

> "We are interested in curtailing weak claims rather than weak clients...The fear of the liberal remnant is that we will only attack weak clients. We have to show that we are willing to attack powerful clients with weak claims. I think that's central to our success, both political and economic success."

Then they fail on their own standards.

In its first year, the Reagan Administration unfairly cut more from children than any other group in American society. More than 1 in 5 federal dollars was taken away from poor, homeless, abused, and handicapped children and their families. More than 3.8 billion dollars was cut from entitlements for the neediest families.

In its second year, the Reagan Administration is asking the poorest and most vulnerable children and families and low- and middle-income working families to unfairly sacrifice still more with additional proposed cuts of $8.5 billion in grant and entitlement programs.

These new FY 1983 proposed cuts, like the FY 1982 ones, are flagrantly unjust, will cost taxpayers more, not less, money, and will cause widespread human suffering without solving the pressing problems of the nation's economy. Indeed they will add to them.

As Mr. Stockman and the Administration have been victimizing the youngest and weakest clients with the strongest claims on our national concern, they simultaneously raided the national purse for the benefit of the most affluent and powerful corporations and individuals in the biggest tax giveaway in American history. Tax cuts and loopholes in the Economic Recovery Act, if phases 2 and 3 go into effect, will cost taxpayers an estimated $750 billion in lost federal revenues and $20 billion more in lost state revenues over the next several years. At the same time, a $32 billion increase in defense expenditures for FY 1982 was proposed before any careful attempt was made to weed out defense inefficiencies, fraud, and abuse. Incredibly, another $ 44 billion increase in defense spending is proposed for FY 1983, again without any effort to scrutinize or eliminate rampant military inefficiencies, fraud, abuse, and perks that are unrelated to national security as we illustrate below.

Helping the Rich While Hurting the Poor

As child advocates, we recognize the importance of a healthy economy to family stability and the well-being of children and the poor in this society. We support well-conceived and carefully targeted capital investment policies and financial incentives that hold the promise of spurring economic growth,

increasing employment, and strengthening our competitive position vis-a-vis the Japanese and the rest of the world. One man's venture capital is another man's job. But we do not support untargeted economic "incentives" like those proposed by the Reagan Administration and passed by the Congress in 1981 that help the few at the expense of the many. These giveaways have resulted in neither increased investment nor employment. Unless phases 2 and 3 of the Economic Recovery Act are delayed, and the most egregiously unfair provisions are corrected, our children's and nation's future will be mortgaged for decades to come.

We believe in our free enterprise system. But the private sector hardly engenders trust or serves the long-term interests of the system it professes to support by taking unfair and massive public handouts--taxbreaks--at a time when 9½ million Americans are unemployed and children, families, and old people are going without enough food, energy, housing, and health care; when the middle class is being battered by continuing high interest rates and inflation; when small farmers and businessmen are going under in droves; and when thousands of young people are roaming the streets of our cities with nothing to gain or lose in an economic system that has relegated too many of them to a life of shooting baskets, shooting dope, or shooting bullets. What has any American gained from the corporate profits of a few if we cannot walk the streets of our neighborhoods without fear or harm?

How can our leaders expect to govern a nation or see our economy prosper in an unstable society rent by growing numbers of disgruntled and dependent poor with no stake in the system; a squeezed middle class fearful of losing ground; and a handful of truly rich corporations and individuals whose share has exceeded what a fair-minded society should tolerate. Unless affluent corporations and individuals take more responsibility for the economic and social lot of the rest of our society and moderate their demands, government reintervention, the result

of public backlash, will be inevitable.

Examples of unfair advantage abound:

- A special tax break limited exclusively to race horses was enacted last year as part of the Economic Recovery Act. If a multi-millionaire oil speculator bought 600 race horses at $12,500 apiece, he could avoid paying one and a quarter million dollars of income taxes each year for three years. This new tax break is equivalent to services for 538 Head Start children.

- Most of us know about the oil depletion and exploration allowances which costs the federal government many billions a year in revenue. Few of us know they are also available for sand, rock, clamshells, and a host of other "exhaustible" resources which cost us hundreds of millions more. These allowances, if repealed, could finance the needed youth jobs and training programs we so desperately need.

- New corporate lease provisions in the Economic Recovery Act were allegedly designed to help nearly bankrupt corporations. Chrysler did in fact get about $23 million dollars to help offset its more than $1 billion loss. But IBM got roughly $80 million, and is not in immediate economic danger. Out of the more than $4 billion lost by the federal treasury, less then $1 billion will reach troubled corporations and, for the retroactive 1981 period at least, virtually none of the money will result in new investment. This lost revenue is equivalent to the cuts in education programs for handicapped and educationally disadvantaged children.

Although President Reagan decries the great growth in government social programs for the poor and working families, he is strangely silent and unconcerned about those tax breaks which have grown and spread faster then the federal programs he would cut back and eliminate. Indeed, his policies have pledged to give back to affluent corporations and individuals nearly $1 trillion in future tax revenues.

Bombs Over Babies

The unfair and budget busting favoring of rich over poor has been compounded by the transfer of hardearned dollars and benefits from poor and working families to the military. Since President Reagan asserted in his State of the Union address that "it would be foolish to pretend there is any program that cannot be made more efficient and economical," we challenge him to make good his words across the board.

Major military weapons systems have a tendency to cost a lot more than the Defense Department (DOD) says they will. DOD usually blames this on lack of money which forces them to buy fewer items for which they are charged more. In other words, if the military could spend more, then everything would cost less. Since this is a difficult idea, we will offer a simple example. The Air Force originally planned to buy 7 E-4 Advanced Airborne Command Posts at $69 million apiece. Since they did not have enough money to buy all seven, they had to settle for just six at $206 million each.

The effect of such unit cost increases is awesome. In FY 1980, 54 major military weapons systems had annual cost increases, excluding those due to changes in quantity, engineering requirements, or simple inflation, of more than $12.3 billion dollars. Simple inflation brought the total to over $34.2 billion dollars in one year. If this problem had been brought under control by FY 1982, none of President Reagan's $35 billion dollars in domestic program cuts might have been needed. If the Administration and Congress can begin this year to bring unit costs and military procurement practices under control, millions more children will not be denied the essential food, health care, and schooling they need to grow up and be productive citizens.

The following cost overruns for military weapon systems far exceed any documented fraud and abuse in any social programs for the poor. Yet neither the Reagan Administration nor the

Congress has taken sufficient steps to examine and curb military inefficiency before hurting the poor or increasing military spending.

Weapon System	Increase in Unit Costs	Current Cost Each (in millions)
A-10 aircraft	116 percent	$ 7.2
EF-111A aircraft	115 "	32.3
F-15 aircraft	93 "	19.0
F-16 aircraft	46 "	13.4
AH-64 helicopter	56 "	10.7
UH-60A helicopter	161 "	5.4
IFV personnel carrier	88 "	1.1
XM-1 Tank	19 "	1.9
F-14 naval aircraft	82 "	23.0
F/A-18 naval aircraft	36 "	21.6
FFG-7 Frigate (ship)	227 "	212.3
AIM-54A/C Phoenix Missile	112 "	9.7

The cost overruns just in these dozen systems, (small in the universe of weapon system cost overruns) adds up to a sum which could finance much of the children's survival and human capital development program the nation needs in order to begin to regain our competitive military and economic position in the world.

Who's going to repair the complicated airplanes and weapons systems on which we are spending billions if we are not developing an adequate pool of skilled laborers among our young? How are we going to stay ahead of the Soviets if we do not have the best possible pool of trained military minds and strategists? How are we going to produce the linguists, the scientists, and the mathematicians we need to outstrip our Japanese competitors if we are abnegating all federal responsibility for ensuring equal educational opportunity for our young?

- The cost increases in the A-10 strike aircraft alone have already totaled over $3.2 billion, more than enough to restore all of President Reagan's cuts in Medicaid.

- The overruns in the EF-111A total more than $700 million, more than enough to replace the remaining cuts in all the child health programs.

- F-15 cost increases total over $6.8 billion. That could pay for the whole of AFDC in FY 1983 without any cuts.

- The cost increases in the AH-64 Army helicopter total more than $2 billion, enough to restore all the President's cuts in compensatory education, both enacted and proposed.

- The XM-1 tank is a special case. In September 1980 it was $1.73 million. By December 1980, the unit cost had risen to $2.55 million, an annual rate of increase of 372 percent. That single 3-month period raised the total cost of the current program by $5.8 billion dollars. Since then the Army has announced that, because of deficiencies in the XM-1 transmission and fuel consumption, the tanks will have to be accompanied to battle by bull-dozers (to dig holes in which the tanks may hide) and military gasoline trucks (to refuel the tanks). Estimates of the cost of these military companions for our youngest tank have ranged upwards of another billion dollars. If President Reagan will merely leave in place the Adoption Assistance and Child Welfare Act of 1980 (which he is trying to repeal) he will save enough money to pay for the XM-1's caretakers.

Like every American, we are committed to a strong national defense and military able to respond firmly and fully to any external threat. But we do not equate loyalty to our nation's security with unquestioning acceptance of every military expenditure. In 1953 Dwight David Eisenhower warned:

> "Every gun that is made, every warship launched, every rocket fired signifies...a theft from those who hunger and are not fed, those who are cold and are not clothed.
>
> "This world in arms is not spending money alone.
>
> "It is spending the sweat of its laborers, the genius of its scientists, the hopes of its children." *

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* Address, "The Chance for Peace" delivered before the American Society of Newspaper Editors, April 16, 1953.

And how blatant was this theft in the FY 1982 budget where money was taken from needy children while military expenditures, even nonessential ones unrelated to national defense, went untouched. Read these examples carefully. They are only the tip of the iceberg.

- President Reagan proposed an additional $3 million cut in the childhood immunization program for FY 1982 which would eliminate immunizations for 75,000 children at risk. In FY 1983 he plans to cut $2 million more. The Defense Department spends $1.4 million on shots and other veterinary services for the pets of military personnel. Additional millions are spent on the transportation of military pets when personnel are transferred. If the veterinary benefits for military pets were eliminated, 35,000 low income children could be immunized instead.

- For FY 1981 and FY 1982, President Reagan rescinded and proposed cutting a total of $23.9 million from the Preschool Incentive Grants for handicapped children which serves more than a quarter of a million handicapped 3 to 6 year olds. In FY 1983 he is proposing to effectively eliminate the program through a block grant and further cuts. These children are given early instruction in learning and communication skills so that they will be able to benefit from later schooling. The General Accounting Office has estimated that almost half of all messages sent over Defense department teletype nets are routine non-priority messages better sent by mail at a savings which would total $20 million a year. The excess teletype machines could be donated to programs for deaf children, thus further increasing savings.

- President Reagan eliminated the Child Nutrition Equipment Assistance program that helped child care centers and schools in low-income areas buy the kitchen equipment needed to serve hot lunches and breakfasts to eligible low-income children and saved $15 million. The Army plans to spend $58 million to give away industrial machines, most of them new (e.g. five 2,000 ton capacity, four-stage mechanical forging presses, 166 power lathes, etc.), to defense contractors free. The $58 million is for the Army to pay to move and install the

equipment. If it sold the equipment instead on the open market, and returned the proceeds to the Treasury, perhaps the $58 million dollars and more could be put back into the school lunch program which about 2000 schools have eliminated because of budget cuts.

- The State of Virginia has fewer than 160 full time homemaking aides serving more than 2,500 aged, blind, disabled persons and families with handicapped children at home. The Pentagon has 300 personal servants tending to fewer than 300 senior officers, none of whom reports himself seriously disabled. Virginia's program costs about $1 million a year. The Pentagon's program costs over $5 million a year. President Reagan cut Virginia's program by more than a third; he increased the Pentagon's program by 15 percent.

- Secretary of Defense Weinberger has a private dining room at the Pentagon at which only about 100 persons are eligible to dine. It has a staff of 19 and each meal served costs the diner an average of $2.87 and the taxpayers an additional $12.06. President Reagan forced the low-income children of working mothers in child care centers to give up their mid-morning supplement of juice and crackers. Each time Secretary Weinberger or one of his select associates has lunch, 40 of those low-income children must go without orange juice or milk. More than 1 million mid-morning supplements for low-income children now to be lost each year could be restored if Secretary Weinberger and his colleagues ate in other Pentagon dining rooms, or contracted with a private food company to run his private dining room on a self-sustaining basis. If four other Pentagon executive dining rooms (one each for the Army, Navy, Air Force, and the Joint Chiefs) were also run on a self-sustaining basis, this would provide an additional 3.7 million mid-morning servings of juice to low-income children in Head Start and day care centers.

President Reagan cut the Child Care Food program 29 percent in FY 1982 and is proposing an additional 20 percent cut in FY 1983.

While we do not begrudge the military all morale boosting or recreational outlets, it does seem to us that the amounts and efficiency of nonessential services need to be weighed against

the loss of civilian essentials. Americans given presidential sermons on "belt-tightening" want only equity in sacrifice. But that is hardly what is occurring. The Memphis Naval Air Station might give up its riding stable; the Albany, Georgia Marine Logistics Base its golf course; and the Mountain Home Air Base its bowling center. Similarly military welfare might be limited to the neediest within their ranks before more cuts are made in welfare programs for needy children. There is no need, for example, for military reservists who are also federal employees to receive full pay from both sources during summer training and their regular vacation besides. Merely limiting payments to the higher of civilian or military pay would save $60 million in FY 1983. This is enough to pay for the entire summer food program for poor children the Administration proposes to eliminate.

The Reagan Budget Robs the Future and Will Cost Rather Than Save Money

The Reagan Administration has led the American public to believe that social programs for poor children and families are the cause of federal budget deficits and inflation. He has preyed on the fears and resentments of those Americans who want to believe that most welfare recipients cheat (they don't) and implied that if we just end fraud and abuse in these programs, we will solve our economic problems.

What he has not told the American public is that 70% of the welfare "cheats" he is ridding us of are children. It is also children who will suffer most from across the board cuts in food stamps and Medicaid. Because the President is philosophically opposed to raising taxes or delaying the enormous tax giveaways in the Economic Recovery Tax Act; to price controls on health or energy costs; is practically committed to price increases on sugar and other foods; and will find it hard to attack Social Security again--at least right away--he has simply boxed himself in so that he has no one else to attack but needy

children and families. He is therefore mindlessly undermining the very preventive programs that will yield the nation the greatest long-term savings and productivity: education, preventive health and dental care, child nutrition, job training, child care, and preventive services which help keep families together.

This is the time to invest in rather than turn our backs on children, as the Reagan Administration is doing. Spending billions more on weapons of death at the expense of tools of life for children and families is not the road to peace, stability, growth, and productivity, either within or without.

In 2010--28 years from now when many of us in our late thirties, forties, and fifties, will be moving toward or be of retirement age--there will be more elderly people per worker and fewer children as we become an increasingly aging society. Each worker will become more important as fewer become available to support more older dependents. That potential 2010 worker was recently born or is about to be born.

- 1 in 5 of them was born poor and 1 in 4 will depend on the AFDC we are cutting through the bone at some point in his or her lifetime.
- 1 in 2 will grow up in a family where all parents work and often face inadequate, even harmful child care arrangements. We are cutting child care.
- 1 in 3 has never seen a dentist, and 1 in 7 lacks access to preventive health care. Their numbers will grow, along with costly remediative medical costs, as a result of short-sighted cutbacks in Medicaid, maternal and child health, and community health centers.
- 1 in 4 will drop out of school before they graduate and will not be able to read and write and compute well enough to read the want ads or fill out the applications for the rapidly shrinking number of unskilled jobs. Millions more are going through an education system that has not prepared itself to respond to the new demands of an information economy and increasingly competitive world.

- 1 in 2 will grow up in a single-parent family, one-third of whom will be poor. But these are the families President Reagan is beating into the ground through severe across-the-board cuts in Medicaid, AFDC, food stamps, energy and housing assistance, child care, and jobs.

- Almost 600,000 a year are being born to teenaged mothers, many of whom have gone without prenatal care which greatly increases the likelihood of producing babies of low birth weight or with birth defects. Yet we are slashing the family planning funds to avoid more pregnancies, and the support services to help them remedy their mistake and avoid lifelong dependency.

- 500,000 are going unnecessarily homeless, in costly foster and institutional care, denied the nurturance and family stability that every child deserves. And President Reagan would cut new protections and funds to help them grow up in a family.

These Reagan policies will cost billions in future remediation (medical costs, foster and institutional care, court costs, jails); in services (welfare dependency, social services); and in lost productivity (joblessness, untrained minds and unhealthy bodies). And they will cost us more than we can measure as we stray from our historical path of becoming a decent and disciplined society.

All Americans are going to have to face up to needed changes and sacrifices if we are going to lead in a world in which the United States can no longer exercise effortless superiority. But regaining our competitive economic and political leadership position vis-a-vis the Japanese and others requires our hunkering down and making hard choices in this period of recession. These include adequate education and training for a baby boom generation for which we did not adequately plan. We must strengthen our managerial, industrial, and educational capacities so that we can outthink and outproduce our competitors. In order to do this, we must invest in, not cut, the human "supply side".

We know it is not easy for political leaders to take on powerful interests. But we believe that the steps outlined here and some of the suggested cuts outlined in the chapter on alternative budget options are necessary and winnable with strong, concerned leadership. More responsible private sector voices need to be heard on the need to maintain a national floor of decency for the young, the elderly, minorities, and the poor, and for restraint in further corporate tax breaks in this time of national economic instability. And more of our political leaders need to suspend partisan interest until they have done what is fair and right for the country.

The American people are not patsies. While we may sometimes give in to our selfish instincts in times of perceived threat and decreased confidence, we need and respect those who appeal to our better instincts, keep us on an even keel, reject radical actions, and put the national interest beyond their own.

CHAPTER 2

REAGAN MYTHS AND REALITY: THE ACCURACY GAP

With great skill and simple slogans, President Reagan has taken a few kernels of truth and tainted a whole harvest of progress. With a few anecdotes and carefully selected "facts," he has painted the federal government all bad; state and local governments all good; the private sector efficient; government inefficient; defense spending sacrosanct; and domestic spending for the poor inflationary and "uncontrollable."

As a result, critical national decisions affecting the lives of millions of Americans now and in the future are being made without adequate debate, information, or care.

We hope that this chapter will help you examine some of the claims now being bandied about to justify radical budget cutting and federal program dismantlement.

REAGAN MYTH #1: SOCIAL PROGRAMS FOR THE POOR ARE THE CAUSE OF FEDERAL BUDGET DEFICITS

REALITY:

The Reagan Administration has blamed the federal deficit and inflation on social programs for the poor. He has told us that if we cut AFDC, maternal and child care, food stamps, school lunches, funds for pregnant mothers and infants, and cut out fraud and abuse, it will solve our economic problems. What he has not told us is that federal programs for the poor constitute a small portion of federal "entitlements" and that many

categorical programs, especially those targeted on poor children, have proven cost effective.

He also has not told us that AFDC benefits fell 24 percent in real terms between 1969-80, even with some adjustments for inflation, and that federal AFDC expenditures in real dollars fell by 19 percent although the number of AFDC children fell only 5 percent. This was before he applied the scalpel and cut $1 billion in 1982 and proposed to cut another $1 billion in 1983.

President Reagan has said--and will say again--that he is not really reducing the Federal budget at all, but merely increasing it at a slower rate. His statement is correct but misleading in the extreme. Even if the President received all the cuts in domestic spending he requested, the outlays of the federal government would still have gone up in 1982. The persistent increases have four broad causes: inflation, the aging of the population, recession, and interest rates.

All these factors drive up federal outlays, and no administration has any short-term control over them. But President Reagan, by proposing an increase in defense spending and the enormous tax cuts in the Economic Recovery Tax Act of 1981, has effectively lowered the receipts of the federal government by an estimated $750 billion. By reducing these rates he effectively mortgages the future by radically decreasing the long-term income of the Federal government. Thus the deficit (outlays minus receipts) has exploded upward.

When President Reagan came into office, he inherited a budget deficit of $76 billion. For FY 1982 he promised to lower the deficit to $45 billion. Because of his tax cut and recession, he now says that his FY 1982 deficit will have to be $99 billion, and his FY 1983 deficit will be $92 billion. He

will achieve his planned deficit by increasing military outlays by $34 billion, and preserving the tax cuts at a cost of $95 billion. The cost of the President's tax cut in FY 1983 is bigger than his deficit in FY 1983.

President Reagan offers two rather contradictory justifications for his actions. One is that an economic miracle will simultaneously lower inflation and interest rates while it produces a boom in production and employment, thus ending three of the four factors increasing federal spending. His other justification is that he will lower federal spending directly by cutting into the major federal programs. Obviously the deep cuts are not necessary if the economic miracle occurs; if the miracle does not occur, the tax cut that makes the program cuts necessary was itself unjustified. Nonetheless, the President has and will focus on cutting federal programs that pay benefits to individuals. Unfortunately it is the individuals least able to bear the cuts who are bearing the brunt of the federal cutbacks. And they are not large enough to make even a dent in either the deficit or amount of needed investment to get us back on the road to prosperity.

REAGAN MYTH #2: WE ARE GOING TO PUT PEOPLE BACK TO WORK AGAIN AND DECREASE DEPENDENCY

REALITY:

In his State of the Union message, President Reagan offered not a single, concrete suggestion for how he would put anyone back to work immediately. Yet almost nine and one-half million Americans are unemployed.

- There are one and one-half million more Americans out of work today than a year ago.
- Three and one-half million more Americans have fallen below the poverty level in the last year. One million are children.

- Tens of thousands more people have gone on welfare and food stamps as a result of Reagan jobs, child care cuts and work disincentives.
- Many AFDC mothers with jobs will quit and go on welfare full-time because of AFDC changes which will cause them to lose more benefits than they would gain from a job. This includes Medicaid for their children.
- 800,000 children of working mothers are expected to be cut off AFDC as a result of FY 1982 cuts.

REAGAN MYTH #3 : A RISING TIDE LIFTS ALL BOATS

REALITY:

A rising tide lifts all boats that were afloat at the time the tide turned. It is now clear that the rising tide of the Reagan Administration is lifting all yachts but not the small leaky boats of the poor or working class, who are finding themselves submerged by new waves of unemployment, high interest rates, and inflation. Moreover, Blacks and women who were beginning to gain a firmer foot in the economy are being especially undermined.

The restoration of real economic growth in the United States would certainly have a broad effect upon the well-being of all Americans, including poor Americans. But if we put aside for a moment whether the Administration's combination of high interest rates and high deficits will in fact restore real economic growth, and look instead at whether real growth--if we got it--would justify President Reagan's harsh cuts in key children's programs, we would remain skeptical as child advocates.

- How will a better economic climate help the 500,000 children in foster care who have no one to send to work on their behalf and whose protections the Administration is seeking to repeal?
- About one quarter of all children in families with incomes in the $10,000 to $15,000 range are not covered by private health insurance, and few of those who are so covered have plans that include preventive health care for children.

- More jobs cannot help the one-parent family whose earner simply makes too little to pay the bills.
- Job growth will certainly enlarge the tax base of state and local government, but Reagan Administration supporters clearly count on competition among states for factories-in-flight to keep state revenues falling. There will be little or no bonus at the state level to absorb the cost of the abandoned federal programs. The Administration has included none of the "tax effort" provisions in its proposed block grants (that are present in revenue sharing and some federal formula grants) that would indicate a sincere desire to limit the erosion of state revenues. Nor are the proposed Enterprise Zones even a minimal substitute for the social program infrastructure the Administration is attempting to dismantle.

REAGAN MYTH #4: GOVERNMENT IS THE PROBLEM. FEDERAL PROGRAMS HAVE BEEN COSTLY FAILURES.

REALITY:

The debate about government responsibility for meeting the needs of its citizens, especially those who are less fortunate or dependent, has raged throughout our history. The national response, as it has evolved over many decades, generally has been characterized by compassion and extension of opportunity.

The notion that "Federal Poverty Programs have not worked" has been repeated so often, people not only think it is true, they even think they know what it means. Too few think about the fact that the majority of federal protections for children President Reagan would tear down overnight, had nothing to do with the 1960s War on Poverty, but have been built, plank by careful plank, for a long time.

- AFDC was enacted under President Roosevelt in 1935.
- The Maternal and Child Health program derives from the Sheppard-Towner Act enacted under President Harding, lapsed under Hoover, and was reinstated in 1935 under Roosevelt.

- Federal food stamps (then called "rations") were first authorized in 1865 under President Lincoln. The present program is an option enacted in 1964 (under President Johnson) in a commodity distribution program passed under President Eisenhower in 1958.
- Vocational education traces back to the Smith-Hughes Act of 1917, passed under President Wilson.
- Medicaid derives from the medical reimbursement feature in Roosevelt's 1935 AFDC program, but federal standards were imposed in 1965 under President Johnson.
- Federal support for foster care also began in 1935 under President Roosevelt. Improvements were made in 1980 with broad bipartisan support.
- The School Lunch Program began in 1946 under President Truman.
- Children's mental health programs almost belongs on this list: a bill inspired by Dorothy Dix that would have provided federal funding for mental health services passed both houses of Congress in 1854, was vetoed by President Pierce.

Half the presidents named above were Republicans. Most of the programs President Reagan would cut or "swap" were created or strengthened by President Nixon's New Federalism. He claimed the Great Society poverty programs did not work and that his programs--all in the form of block grants--would. CETA, Community Development Block Grants, Title XX, Emergency School Assistance Act, WIN, and others were all created by President Nixon with the cry that "the Federal Poverty Programs haven't worked." President Nixon proposed his transfers to state control under the doctrine that we could trust state and local governments to do a better job. But CETA was riddled with political scandals until it was reformed in 1978, and still disproportionately excludes the very poor. WIN seldom transferred AFDC recipients to private sector jobs, although federally supervised domonstrations showed that it could work. Title XX varied greatly from state to state, and was subject

to financial manipulation by state governments (not clients, but governments) to the point that it became unauditable.

Lost among these programs that either precede 1960 or were the creations of President Nixon's New Federalism, are a handful of real children's "poverty programs" that survived the Nixon scrutiny of effectiveness. They work and will save American taxpayers money in the future through preventive investment now. Yet President Reagan would wipe them all out. These include:

Title I of the Elementary and Secondary Education Act of 1965: It has eliminated over 40 percent of the difference in reading achievement between 9-year-old Black and White children.

The Civil Rights Act. When it was passed in 1964, a Black high school graduate had about one-half the chance of attending college as a White high school graduate. Today the chances are equal.

Head Start was created in 1965. Today, Head Start has dozens of positive evaluations in every aspect of a child's development. Long-term studies have shown that, by preventing later handicaps and repeated grades, Head Start actually leads to a net reduction in public cost.

The Early and Periodic, Screening, Diagnosis, and Treatment Program (EPSDT), added to Medicaid in 1967, has proven to be a spectacularly good investment. A Texas study showed that the state saved $8 in avoided health costs for every $1 spent on preventive services to children; a North Dakota study showed that more than one-third of all Medicaid costs were eliminated among screened children.

These are the true "poverty programs" for children. They have been very good investments for our nation and our nation's children.

REAGAN MYTH #5 : STATE AND LOCAL GOVERNMENT WILL BE ABLE/WILLING TO PICK UP THE RESPONSIBILITIES NOW PERFORMED BY THE FEDERAL GOVERNMENT

REALITY:

Many states are already deficit laden and struggling to make ends meet. As Governor Snelling, Chairman of the NGA, said

on February 8; "It would be unrealistic to expect the states to support another round of budget cuts in 1983 with still greater responsibilities looming in fiscal 1984 and beyond." In what The New York Times described as "the governor's break with the President," he added, "these cuts would fall heavily on many of the nation's needy citizens and would shift unacceptable burdens to state and local governments already struggling with the recession and deep 1982 federal aid reductions."

Unless state and local governments take action to change their own tax laws, they will lose more than $27 billion as a result of the reductions in federal taxes from FY 1981 to FY 1986. That is because states and some local governments link their own taxes to federal taxes, or to federal definitions of taxable amounts.

It is difficult to show the actual effect upon state and local expenditures of President Reagan's cutbacks since the states do not (and in many cases, cannot) replace the lost federal funds, and thus will simply eliminate services. But we can make a rough calculation that is, if anything, conservative.

At the time President Reagan took office, federal funding of state and local operated programs was about $95.9 billion, about 26 percent of total state and local government operating expenditures. OMB had projected that, by FY 1983, federal aid would have reached $110 billion out of a projected $423 billion state and local government operating level. Instead, in FY 1983, the Administration will provide less than $75 billion. Thus to make up entirely for the loss of federal funds, a state would need 8.3 percent of its operating expenditures available as a fund balance. As the table in the appendix shows, only nine states have a surplus of that size available, and among those nine are several (Texas and Louisiana, for example) that are not inclined toward maintaining "safety nets," despite their extraordinary wealth, compared to most other states.

As child advocates we are particularly concerned with the consequences to children of federal abnegation of responsibility in certain critical areas. For example, last year, merely upon the introduction of an Administration education block grant bill that would have repealed the Education for All Handicapped Children Act, at least thirteen states began the process of repealing or substantially weakening their own state special education laws.

In sum, forcing millions of poor Americans to "vote with their feet", in the President's callous phrase, is a double-edged sword wielded against both the neediest citizens and the most responsive states. It represents a great step backward, and could lead, if adopted, to an anti-state backlash with centralizing results far beyond those of the 1960s. It is a move in the wrong direction at the wrong time.

REAGAN MYTH #6 : THE PRIVATE SECTOR CAN/WILL MEET THE EMPLOYMENT NEEDS OF AMERICAN CITIZENS AND PICK UP THE SOCIAL RESPONSIBILITIES DROPPED BY THE FEDERAL GOVERNMENT.

REALITY:

The loss of the CETA Public Service Employment (PSE) component nicely illustrates what we can expect to happen in reality. The Congressional Budget Office estimated the effects of the elimination of this CETA program on the workers. Before the administration's budget cuts, CETA PSE would have provided about 535,000 jobs. When the jobs were eliminated, only one third could find replacement jobs immediately, many in state or local governments rather than in private industry. One third are still out of work a year later.

Taking into account the increase in unemployment, AFDC, General Assistance, and other federal benefits, and subtracting the federal and state taxes the ex-CETA workers will no longer

pay, leaves a net total loss to the workers of between $1.2 and $1.8 billion, or $2,300 to $3,300 per person. There are no estimates of the long-term impact on earning and unemployment levels due to the fact that abandoned workers did not receive training or placement services.

In 1979, U.S. corporations gave $2.3 billion to philanthropical activities, primarily higher education. Corporate contributions have been critical to countless social and civic services all across the nation. But they will not begin to fill the $18 billion dollar gap in children and family programs created during the Administration's first years:

- In real terms, corporate contributions have increased at the rate of 1.6 percent per year over the period 1965 to 1979.
- The Conference Board has estimated that only 6 percent of major U.S. corporations plan to increase their contributions this year.

Individual giving has increased much faster than corporate giving. In 1979, it totalled $36.5 billion, primarily to religious activities. Unfortunately the total of all sources (individual, corporate, foundation, and estates) given to health, education, and welfare activities in 1979 was only $16.4 billion. This cannot be expected to double and double again to make up for the planned deficit in human services created in the last two years by the withdrawal of federal responsibility. Indeed, the Reagan Administration's tax package may discourage incentives to individual giving.

Moreover, some parts of the private sector are opposing the cuts the President has proposed in health programs. When Medicaid is cut, billions of dollars of cost-shifting results from medical assistance to hospitals, insurers, and ultimately back to the taxpayer. These same industries have spoken out strongly against the false economics of the cost-shifting phenomenon in medical care, which obviously affects children as well as insurance companies and hospitals.

REAGAN MYTH #7: VOLUNTEERS CAN PLUG THE GAP LEFT BY FEDERAL FUNDING DECREASE

REALITY:

No one who works in human services will ever underestimate the value of volunteers, who make an essential contribution in virtually every service related to children. But volunteers cannot replace the federal support the Reagan Administration is taking away in important social programs. Hospital volunteers can help reduce the emotional distress of millions of children but they cannot make the incisions or pay the hospital bills.

School volunteers can help but not replace the teachers, materials, and programs that Title I children will lose next September when the 37 percent FY 1982 cut in this program for disadvantaged children is felt. This cut will eliminate almost 73,000 teachers, teachers aides, and related workers. Title I has more than 300,000 volunteers today. But each volunteer works only about 110 hours per year, and thus it would take more than 700,000 volunteers to restore the program losses if volunteers who could replace trained teachers could be found. Title I simply cannot more than triple its number of volunteers to cover the single year's cut already made. And President Reagan plans to cut Title I by another half billion in FY 1983.

Foster Grandparents, although appreciated, cannot replace the CETA workers eliminated by FY 1982 Administration cuts. Head Start had 6,000 CETA workers in centers all across the country, most of them from the now abolished Public Service Employment components of CETA. They drove buses, prepared meals, performed outreach, and worked in the classrooms. We estimate that they served about 50,000 Head Start children. The Federal government had not allowed for the loss of the labor the

CETA workers were providing when it abolished the program, and so it was surprised as Head Start reports showed drastic reductions in the numbers of children to be served. But having discovered the problem, the Reagan Administration quickly turned to the voluntary sector to make up the loss. From the Foster Grandparent program 45 volunteers were found. Each would work with a single child. That left 49,955 children unserved. Another 600 volunteers were found from the Retired Senior Volunteer Program (RSVP), who would serve perhaps another 5,000 children. Thus only 44,355--90 percent--of the original 50,000 were left unserved. Head Start was charged $275,000 by the Foster Grandparent and RSVP programs.

In fact, Head Start--a community based program founded upon parental participation--has always had an exemplary volunteer corps. It has more than 240,000 volunteers each year. The Federal effort to replace the abolished CETA workers expanded that corps by 0.3 percent, at a cost of more than a quarter of a million dollars. It was not enough.

We would also point out that the state of the economy is seriously shrinking the number of volunteers today as more and more mothers and grandmothers are having to seek paid employment to make ends meet.

REAGAN MYTH #8: THE FEDERAL GOVERNMENT HAS GROWN TOO BIG AND INEFFICIENT. STATE AND LOCAL GOVERNMENTS ARE MORE EFFICIENT.

REALITY:

The real growth in government over the last 15 years has been state and local--not federal. In 1965, one out of 50 persons in the labor force worked for the federal government; by 1980, only one in 55 did. In 1965, one out of every nine persons in the labor force worked for state and local government;

by 1980, more than one in every eight did. In 1980, of every 100 workers, 13 worked for state and local governments, and about two for the federal government.*

Ironically, public anger is exclusively directed toward targeted human benefit programs funded by the federal government, but already operated by state and local governments. It is directed only toward features already under state or local government control.

All the charges of fraud and abuse we hear are directed at programs like AFDC, Medicaid, and food stamps--already administered by state and local governments. The public, of course, holds the federal government responsible. Perhaps the Reagan Administration solution is simply to give state and local governments much less to "waste" through the budget cuts.

REAGAN MYTH #9: WE ARE GETTING GOVERNMENT OFF THE BACKS OF CITIZENS

REALITY:

President Reagan clearly means to get the federal government off someone's back. The question is whose? While he has been deregulating business corporations, and getting the federal government off the backs of state and local governments through elimination of federal performance standards and accountability measures, he has been re-regulating the poor. For example:

The Administration abolished the Title I rules that prevent a school district from shortchanging schools in poverty areas in the distribution of state and local funds. They eliminated the right of parents of Title I children to sit on advisory committees. They eliminated the right of taxpayers to see

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* See Comparison of Growth Over Time in Federal and State (Including Local) Government Employment and Domestic Expenditure in Appendix.

a written plan showing how the school district would use federal money. All this was said to be good because it would eliminate bothersome federal interference in the lives of state and local bureaucrats. Perhaps teachers would have more time to teach. But the Administration also proposed that school teachers and principals should audit the tax returns of parents who apply for free or reduced price lunches. No one seems to care how long they spend doing it.

Imagine you are a parent of a child attending school in a low-income area. You have lost your right to sit on an advisory committee; you have lost your right to see a plan for your child's school program; you have lost your guarantee that the school will spend a fair share of tax dollars on your child; and your child's teacher has just told you to report to the school next Tuesday at ten o'clock with last year's W-2 tax form, and a month's receipted bills. How liberated would you feel?

REAGAN MYTH #10: THE "NEW FEDERALISM" IS NEW

REALITY:

We have already alluded to President Nixon's new federalism. But President Reagan is, of course, too young to remember the first new federalism initiative in Washington, led by Democrats, or its outcome. But we think it worth reminding him of it here as there are such striking parallels to what he is proposing.

After the civil war, there was a major effort to provide federal support and national leadership to overcome the desperate problems of a group of poor and powerless Americans --newly freed from slavery--unable to provide for themselves or their children. A federal agency, the Bureau of Refugees, Freedmen, and Abandoned Lands, issued food vouchers (15 million of them); reimbursed medical expenses (for 1 million persons); provided clothing and income supplements, funded legal services;

built and ran schools and the world's largest job training, placement, and labor counselling program; provided energy assistance; and rehabilitated, rented, or constructed housing for more than a quarter of a million families. This agency was created by the Republican party, under the best President it ever gave the nation--Abraham Lincoln.

But Democrats, fearing the Republican party would turn the poor and helpless who benefitted from this program into a permanent powerbase (called at that time, the "underclass"), fought to turn the agency's responsibilities back to the states. The Democrats argued then what President Reagan is arguing now, including three points: (1) that philosophically, this program was no business of the federal government; (2) the program was rife with waste, fraud, and abuse; and (3) events in the preceding decade had so reshaped history that the past failures of state and local governments could not possibly be repeated.

It was a bitter fight. There were, indeed, problems in the federal program, although some national leaders like Frederick Douglass thought these correctable. But they could not prevent the Democrats from forging an alliance with powerful economic interests who did not care much about the poor beneficiaries of the program but rather saw a chance to tap into the federal till for themselves. The Democrats also allied themselves with a variety of religious and racial demagogues who played on the emotions of ordinary Americans, telling them that the problems of the recipients were the result of lack of motivation, unwillingness to work, innate flaws of character and culture.

In the end, the Democrats won and the nation lost. The Bureau was abolished. Power over the newly freed slaves was returned to the states. Eighty years later there were still segregated and unequal schools, employment, housing, etc., which we are still trying to overcome. We made major progress

after enormous national wrenching. But children had to face water hoses and die in church bombings in Birmingham; youth had to be buried in red Mississippi soil; and good men had to die in Jackson and Dallas and Memphis before the nation again undertook to promote the general welfare of those Americans the Bureau almost lived long enough to reach so many decades before.

In reliving this history, it is not our intent to make a blanket or negative judgment about the states. We are simply reiterating that there are certain guarantees that every American must be ensured and that it is the role of the national government to ensure them. Achieving adequate state responses to the neediest children, particularly minority children, has been, and continues to be, an excruciating hard task, even with targeted federal performance standards, greater public and parental access to information, and more money than the Reagan Administration now intends to provide.

Yet President Reagan would eliminate virtually all accountability and nondiscrimination assurances in his proposed block grants and "swaps" of federal social programs to states.

Part II

Specific Children and Family Programs:
FY 1982 and FY 1983 Budget Impacts

CHAPTER 3

CHILD WELFARE AND ADOPTION

The Problem

Over 1.8 million American children receive publicly supported child welfare services. Of these, some have been involved in the more than 600,000 cases of child abuse and neglect reported each year. Others come from families who seek help when pressures of unemployment, fiscal constraints, and other crises become too much to bear.

Over 500,000 of these children are homeless, living away from their families in facilities ranging from foster family homes to costly child care institutions. Many of them are placed by default when their families are not offered alternative services to placement. Yet in a large city, for example, it costs $5,000 a year to maintain a child in a foster family home; over $14,000 to maintain a child in an institution; and only $2,300 to maintain a child with special services at home with his or her own family.

Often these homeless children are children with special needs stemming from physical, mental, or emotional handicaps; some are victims of parental abuse and neglect; some are involved with the juvenile court. About 60 percent of the children are white. Over 40 percent are pre-adolescents and adolescents.

In many states these children remain in care an average of five years, shuttled from one home or institution to another with no sense of a permanent family. Their own families get no help to get their children back and the children do not return home. Nor are they provided new permanent families through adoption. Instead, the public systems charged with responsibility for them abandon them, making them victims of gross public neglect.

What Happened in the FY 1982 Budget?

The Child Abuse Prevention and Treatment Act, enacted in 1974, and the Adoption Assistance and Child Welfare Act (P.L. 96-272), enacted in 1980, offer vulnerable children in this country protection and the hope of permanent families. The Child Abuse Act encourages a more coordinated state response to the needs of neglected and abused children. P.L. 96-272 attempts to redirect federal fiscal incentives away from out-of-home care and encourages states to preserve families where possible and, where placement is necessary, to move children into permanent families through return home or adoption. The law also provides federal reimbursement to states that grant subsidies to assist with the adoption of children with special needs such as mental, physical, or emotional handicaps.

The reforms in P.L. 96-272 not only benefit children but are cost-effective. By discouraging the unnecessary placement of children in foster care settings that can cost as much as $60,000 per year, and encouraging the growth of alternatives that keep children in the home, P.L. 96-272 can lead over time to significant cost savings. Indeed the Department of Health and Human Services estimated, upon enactment of P.L. 96-272, that the law would save over $4 billion in out-of-home care costs over the next five years by reducing the average number of children in care by 30 percent.

Despite its rhetoric about protecting the truly needy, strengthening families, and saving dollars, the Reagan Administration proposed in FY 1982 to repeal both the Child Abuse Prevention and Treatment Act and the Adoption Assistance and Child Welfare Act and to include the programs addressed by each Act in the Social Services Block Grant with no protections for abused or homeless children. Fortunately, the Administration's efforts were defeated in the Congress. Both laws remained intact in the budget reconciliation process, although funding for the child abuse program was reduced from $23 million in FY 1981 to about $17 million in FY 1982.

The child welfare program was funded at a level of $156.3 million, 4 percent below the FY 1981 funding level, and both the foster care and adoption assistance programs were maintained as entitlements that ensure funding for as many children as are eligible for the programs.

What is Proposed for FY 1983?

The Reagan Administration seems determined to hurt homeless children. In its FY 1983 budget proposal, the Administration has proposed, once again, to include the child welfare programs in a block grant. The Child Welfare Block Grant would include the Title IV-B Child Welfare Services and Training Programs, and the Titles IV-A and IV-E Foster Care and Adoption Assistance Programs addressed by P.L. 96-272. Funding for the block grant would be limited to $380 million for FY 1983 and thereafter. This limit would eliminate a needy child's entitlement to basic foster care and adoption assistance. Further, the $380 million level is at least 18 percent below the current funding levels for these programs and 46 percent below the funding levels originally anticipated in P.L. 96-272 for FY 1983, which are essential to move toward the family permanence homeless children need.

Passage of the block grant would effectively repeal P.L. 96-272. States would no longer be given fiscal incentives to develop protections for individual children in care, such as case plans and periodic case reviews, or to ensure that children receive quality care and permanent families. Incentives for the states to develop cost-effective programs to keep families together and to reunify families that are separated would be eliminated, as would incentives for the adoption of special needs children. The Reagan Administration proclaims budgetary wisdom but ignores findings that public dollars used to keep families together or to move children into permanent adoptive families are more cost-effective in the long run than placing or leaving children in out-of-home care.

At the same time, other proposed cuts of at least $2 million in the State grant portion of the child abuse program, $1.2 billion in AFDC, and over $400 million in the Social Services Block Grant

would also undermine basic family supports, forcing more and more families to turn to the child welfare system as a last resort. Who would pay? The most vulnerable children in our society and American taxpayers.

CHAPTER 4

MEDICAID

Background and Need

Seventeen years ago, Congress passed Medicaid -- a health insurance program to pay the medical bills for many low-income Americans. It pays for a pre-established list of medical services, both in the hospital and in doctors' offices and clinics. For 11 million children, Medicaid is the only means of financing checkups, medical treatment, dental care, hospitalization, and necessary medication. For hundreds of thousands of pregnant women, it pays for needed prenatal care and delivery services.

Children, more than any other age group, rely on Medicaid to pay their medical bills. Unlike older Americans, they do not have Medicare or private insurance policies. In 1979, 55 percent of public dollars paying for children's health care were spent through Medicaid, which accounted for only 28 percent of public health funds spent on other age groups.

Although all persons eligible for Medicaid are poor, children eligible for Medicaid benefits are the poorest of the poor. For example, in Texas, an elderly person living alone can have income of $286 per month and qualify for Medicaid. A mother and three young children, however, can have income of no more than $140 ($35.00 per family member) to qualify for Medicaid.

Income standards for mothers and children applying for Medicaid have lagged far behind those for the elderly and disabled. For example, between 1975 and 1980, the amount of income a mother and child could have and still qualify for

Medicaid rose by 5 percent, while the amount of income that an aged or disabled adult could have and still qualify for Medicaid rose by 26 percent.

Children cost the Medicaid program less than any other age group. Although they make up almost half the recipient population, only 19 percent of Medicaid expenditures goes for child health. The average per year expenditure for a child under Medicaid is $318, and the rate of growth of federal child health spending is much lower than for adults or the elderly. The services children and pregnant women purchase through Medicaid are the kinds of services that keep overall health care costs from escalating. Yet, they will bear the brunt of the Reagan Administration cuts.

What Happened in the FY 1982 Budget?

The Reagan Administration proposed to end the Medicaid entitlement and place an arbitrary limit on federal spending. Congress explicitly rejected limiting the amount of federal funds available to states regardless of the number of people who need medical coverage under Medicaid. As part of the Reconciliation Act, $1 billion was cut from the federal Medicaid budget. The portion of the costs of services picked up by the federal government remains the same, but the absolute number of dollars will decline by 3 percent in FY 1982, 4 percent in FY 1983, and 4.5 percent in FY 1984.

States were also given greater flexibility in the design of their Medicaid programs and now have the option of covering only certain groups of persons known as the "medically needy." One of these groups is two-parent working families who are too poor to provide their children with health care but who do not qualify for cash assistance. Only 30 states now provide comprehensive medically needy programs. Approximately 1 million children now receive Medicaid as medically needy beneficiaries.

Many other medically needy children who could be covered are not because of state decisions:

- Kip and Robin Moon live in rural Tennessee with their 8-month-old baby girl, Leisha. Leisha was born two months premature last May, weighing two-and-a-half pounds. Doctors determined that the primary cause of Leisha's premature birth was that Robin, who had been extremely ill during her pregnancy, did not receive adequate prenatal care. Because Robin was married to Kip, who was living at home with her, she was unable to qualify for Medicaid benefits during her pregnancy. The state of Tennessee, like all states, has the option of providing Medicaid for pregnant women whose husbands are at home, but has chosen not to do so. Had Robin received prenatal benefits under Medicaid, the cost of her pregnancy care would have been under $1,000.

  Leisha's premature birth and very low birth weight put her in critical medical condition. She was flown to Vanderbilt Hospital, where she stayed for several weeks. She was then brought back to Cookeville Hospital, where she remained for two weeks. The total cost of her care was approximately $25,000. Robin also required extensive hospitalization following the birth. The family had no way to pay for the care Robin and Leisha received.

  After Leisha was born, Kip attempted to get Medicaid for his wife and baby. He was told that, since he was home and working, the family was ineligible for help. Shortly after this, both Kip and Robin lost their jobs. Over the past six months, both have searched for work, covering a 35-mile radius surrounding their home. Because of the severely depressed economy, neither can find employment. Kip earns about $30.00 a month slaughtering pigs. During Christmas week, he earned $5.00.

  Outside of Kip's slender earnings, the family has no income except food stamps. Leisha does receive WIC benefits because, at 8 months, she is still seriously underweight and anemic. The little health care the baby has received has been the result of some free assistance that a local doctor has provided. He has now told the family that he cannot help them any more unless they are able to pay.

Although Congress in 1981 gave states new latitude in designing their medically needy programs, it also stipulated that any state with a medically needy program must provide all

medically needy children under age 18 with out-of-hospital services and pregnant women with prenatal care and delivery. Regulations recently issued by the Reagan Administration, however, seek to deny children and pregnant women this care and to limit the services they can get through Medicaid. As a result, several states are already moving to cut children off Medicaid or limit their services severely. (A CDF legal challenge to these regulations is awaiting decision.)

In addition, changes in AFDC will mean hundreds of thousands of children and mothers will have no way to pay their medical bills. In 20 states, loss of AFDC automatically means a loss of Medicaid, as the examples of Mrs. Ruby S. on page 7 and Ms. S. Haller on page 7 show.

What is the Impact of the FY 1982 Cuts?

States have already been operating with tight budgets and severe inflation in the cost of medical care in recent years. In financially strapped states, the loss of federal funds has translated into more cuts in services and in families covered by Medicaid. By the end of FY 1982, federal policymakers estimate that 661,000 children will have lost Medicaid coverage. In addition to the examples cited above:

- Hawaii has eliminated Medicaid coverage of most poor children in two-parent families.
- Connecticut is considering eliminating from Medicaid all medically needy children in two-parent working families who have not sought welfare assistance but who do need help in providing health insurance protection for their children.

Some states are ending or severely limiting benefits:

- Virginia is considering dropping Medicaid coverage of hospital care for 12,000 poor children.
- Tennessee has eliminated all outpatient services -- clinic care, physician checkups, immunizations, prenatal care, etc. -- for medically needy families, families of four living on $200 per month. Other states such as Washington and Vermont are also considering limiting services for the medically needy.

The 1983 Budget

President Reagan is proposing to cut an additional $2.1 billion in federal funds from Medicaid in FY 1983. If these cuts go through, the combined FY 1982 and FY 1983 cuts in federal funds for Medicaid will be $4 billion: $1 billion in FY 1982; $881 million in FY 1983 because of the 4 percent reduction in federal payments passed by Congress last year; and $2.1 billion in new cuts proposed by the Administration for FY 1983. The President proposes to once again make new cuts by shifting a major portion of the cost of medical care for the poor onto the backs of states and millions of low-income families. The Administration's budget plans call for, among other things:

- Substantial costsharing requirements by Medicaid recipients. Medicaid beneficiaries who receive welfare would pay $1 for each day of hospitalization and $1 for each visit to a clinic, physician's office, or emergency room. The working poor in states' medically needy programs would pay $1.50 for each outpatient visit and $2.00 for each day in the hospital.
- A 3 percent reduction in federal funding for many state Medicaid services, in addition to the 4 percent funding reduction already slated to take effect in FY 1983. At a time of heavy inflation in the health care system, state Medicaid programs in FY 1983 will be reeling from a 7 percent reduction in funds for many Medicaid services. The new reductions would apply to optional services for "categorically needy" beneficiaries (Medicaid recipients who also receive cash assistance) and all medical services for the "medically needy" (the working poor).

How Will Children and Mothers be Affected by Requirements to Share the Cost of Medical Care?

Often, health insurance programs require individuals to pay part of the fee for a doctor's visit, medication, or other service (e.g., $.50 per prescription drug or $1.00 per clinic visit). Now, most families who are insured by Medicaid are not charged for their medical care, and those who are paying

only a small part. The reason for limiting costsharing is that the income of families who qualify for Medicaid is so low that any substantial copayment would keep them from getting medical care.

To understand why costsharing can stand between children and the basic care they need, take the case of a "medically needy" family of 4, a pregnant woman living in Arkansas and recently widowed who is about to deliver a child and has 3 children. The state of Arkansas permits a medically needy family of 4 approximately $260 per month to meet its survival needs -- food, shelter, clothing, and utilities. Currently, this mother can get health care for herself and her children free of charge. If the Administration's proposals are adopted and she is required to pay for her family's hospital and physician services, in the course of a month she might be forced to pay:

- $6.00 for a normal 3-day hospital stay following the delivery of her baby (if she needed a caesarian section delivery, her hospital costs would be approximately $14.00 for one week's stay);
- $6.00 for the baby's 3-day stay, again assuming no complications;
- $1.50 for the delivery services of her obstetrician;
- $1.50 for the cost of her obstetrician's followup visit to her while in the hospital;
- $1.50 for her baby's newborn examination; and
- $3.00 for visits to the clinic for 2 of her other children, both suffering from winter colds and ear infections.

The total is $19.50, or almost 8 percent of her extremely limited monthly survival funds for herself and her 4 children. Thus, costsharing would probably deter this mother from getting all but the most extraordinary emergency care.

Costsharing reduces the use of services, but not people's need for medical care. They end up using more expensive care.

- In January 1980, the Bexar County Hospital District in San Antonio, Texas, increased the cost of a clinic visit for certain residents from 75 cents to $3.00.

During February, patient visits to the clinic dropped by 44 percent. Visits at the hospital emergency room went up by 21 percent over the next 6 months. Primary care provided in emergency rooms is typically two or three times more expensive than care provided by a clinic.

- In 1972, then-Governor Reagan instituted a costsharing experiment for California's Medicaid recipients. Studying the results of the experiment, a team of public health professionals and an independent team of researchers concluded that, although costsharing reduced the use of ambulatory care, it increased the use of hospital services by AFDC families.

Costsharing is not an effective way of saving money.

- In 1979, the Los Angeles County Board of Supervisors imposed costsharing at the County's public clinics. Preliminary estimates showed that, for every dollar spent administering the costsharing program, only 80 cents was returned -- a net loss to the County of 20 cents per dollar.

How Will Children and Mothers Be Affected by Further Reductions in Federal Funds for Medicaid in FY 1983?

The Reagan Administration is proposing to make two types of reductions in federal funding for Medicaid. First, the Administration proposes to reduce federal funding by 3 percent for "optional" services that states provide to all Medicaid recipients who receive welfare. Second, the Administration proposes to reduce federal funding by 3 percent for all Medicaid services provided to "medically needy" families. Medically needy families, although they do not qualify for welfare because they are working, are desperately poor nonetheless -- for example, a family of four in Tennessee is medically needy if its income is $200 per month.

Currently, Medicaid requires states to provide certain Medicaid services to families receiving welfare. Additionally, states may provide these families with certain "optional" services; they include such important services as institutions for retarded and mentally ill children; medical equipment such as braces, crutches, and wheelchairs for handicapped children;

prescribed drugs; clinics furnishing primary and prenatal care to pregnant mothers and children who live in rural areas without doctors or in inner-cities where the only option is a hospital emergency room; and physical, speech, and hearing therapy. These reductions in federal payments will lead states to limit or drop these important services.

For poor mothers and children in need of these services, there is no distinction between "required" and "optional" services:

- For a pregnant mother, getting prenatal care from a neighborhood clinic is not "optional."
- For a diabetic child, getting an insulin prescription is not "optional."
- For a handicapped child who can walk only with the aid of braces, getting the braces is not "optional."

The Reagan Administration's proposal is nothing less than a calculated effort to force states to severely reduce or entirely eliminate a set of services, regardless of who it hurts. Even before the FY 1982 reductions, 31 states had already considered or actually reduced or eliminated important "optional" services. As the FY 1982 budget reductions and the effect of the recession are felt throughout the country, these reductions are likely to increase in both numbers and severity. Further reductions in federal Medicaid funding for optional services will only hasten this trend.

To cut these services in a wholesale fashion is not cost-effective. Services vital to keeping mothers and children well and out of more costly health care settings will be cut by these reductions. For example, in New York State it costs approximately $4.00 per month to supply a pregnant woman suffering from high blood pressure with the prescribed drug she needs to control her condition. Without the medication, the possibility of severe damage to her baby rises dramatically, with a lifetime of hospitalization a substantial possibility. State officials estimate that the cost of such institutional care can run as high as $1 million over the lifetime of a child.

The severe reductions proposed by the Reagan Administration for optional services could force states to severely limit or altogether eliminate their prescribed drug program. This could drive up the cost of states' Medicaid programs. A California Medicaid study conducted in 1972 found that as it became harder for families to get prescription drugs, inpatient hospital costs rose.

Federal Medicaid law provides states with the option of providing Medicaid coverage to families who do not qualify for welfare but are too poor to pay for the cost of essential health services. Amendments to the Medicaid medically needy program, contained in the Omnibus Budget Reconciliation Act of 1981, permit states great latitude in providing services to medically needy families. The purpose of these amendments was to encourage states to provide medically needy programs for the working, elderly, and disabled poor by offering them more flexibility and choice, while at the same time focusing state expenditures on cost-effective preventive and outpatient care.

The Reagan proposal, by slashing federal funds for state medically needy programs, threatens to undo all of the congressional goals underlying the medically needy program:

- The ripple effect of states' ending their support for medically needy families may ultimately be to force these families off their jobs and back onto welfare, which automatically entitles them to Medicaid. Thousands of families with serious medical needs are now able to stay off welfare and hold jobs. For these families, including over 1 million children, Medicaid is an essential support in their effort to be self-sustaining. If their Medicaid benefits are curtailed or eliminated, however, many families with sick children will have no choice but to reenter the welfare system in order to keep Medicaid.
- Medicaid "medically needy" funds are an essential revenue source for state public health and hospital systems, Community and Migrant Health Centers, and urban and rural clinics in underserved areas. If states are forced to pull out of the medically needy program, a significant source of revenue for public health systems for the poor will disappear, leaving these systems unable to function even for those who can pay their way.

The Longer-Range Agenda -- The "Swap"

President Reagan has proposed a "swap," whereby the federal government will assume the full cost of Medicaid and the states will assume the full cost of AFDC and food stamps. This trade would begin in FY 1984. Any gains or losses a state would incur would allegedly be offset by a trust fund financed by excise taxes and oil windfall profit taxes until 1991. There are no details on the scope of the Medicaid program, which would be financed by Washington. Although having a nationally uniform Medicaid program could provide important gains for low-income families in America, particularly those in poorer Southern states with limited Medicaid programs, it is clear from the Reagan Administration's own FY 1982 and FY 1983 Medicaid proprosals that the Administration's strategy is to cut, cap, and dismantle Medicaid, even if the health needs of vulnerable Americans are not met.

- The Reagan plan is designed to divert attention from the $2.1 billion cut in federal Medicaid funds the President is proposing for FY 1983. If this cut goes through, any federalized Medicaid program will be an inadequate one.
- The Reagan plan is designed to weaken state interests in Medicaid so that it can be capped and possibly, along with Medicare, turned into a voucher program. The Reagan Administration says, "Medicaid will be restructured as part of an integrated federal cost containment initiative to limit . . . growth . . .," and is on record as supporting the establishment of a minimally controlled voucher system to replace federal health insurance programs.
- The Reagan plan for Medicaid, no matter what its final form, will hurt millions of poor families. The only question is which families in which states. Many speculate that, if Medicaid were to be federalized, uniform national standards for eligibility and services would be developed. To bring all states up to levels set by more generous states, such as New York, would mean additional federal expenditures of some $14 billion -- a highly unlikely expenditure. If national levels are set lower, then thousands of families in states with more generous programs would lose some current Medicaid coverage.

If the Reagan Administration does not set uniform national standards but simply retains the current eligibility rules linking receipt of Medicaid to AFDC or SSI eligibility, then nothing would be gained by the federalization of the program. The nearly 50 percent of all families now living in poverty and without Medicaid would still be left without coverage; indeed, if states cut back on their AFDC programs to make up deficits caused by the disappearance of the proposed federal trust fund, the percentage of families in poverty but without Medicaid would grow. Thus, although the Administration's plan to "federalize" Medicaid suggests some sort of basic federal commitment to essential health services for the poor, the plan falls like a house of cards upon closer examination of the precarious fiscal and policy contradictions on which it is based.

- Currently, states already pay the health care bills for millions of impoverished families who, because of restrictions in the Medicaid program, do not qualify for coverage. The Reagan plan will leave many states picking up health care costs for more people by restricting the scope of Medicaid. Moreover, for many states, such as Minnesota or California, the "turnback" trust fund shortfall will be so huge that any potential state savings generated by the federal takeover of Medicaid will have to be used simply to keep many of the more than 40 "turnback" programs alive. State legislatures would have to appropriate millions of new state dollars or to create additional insurance programs for families no longer eligible for the federal Medicaid program.

CHAPTER 5

AID TO FAMILIES WITH DEPENDENT CHILDREN

The Problem

Aid to Families with Dependent Children (AFDC) is the only program explicitly aimed at protecting poor children by giving their families income support. Sixty-eight percent of all AFDC recipients, or over 7 million persons, are children. Half are white. Half are eight years old or younger. The remaining 3.5 million are primarily the sole parent living with children in single parent families.

Very few children "grow up" on welfare. Each year, about one-third of all AFDC families leave the program and are replaced by other families. One out of every eight children is depending on AFDC for survival right now. One out of four will depend on AFDC at some point in their lives. Contrary to popular perception, the average AFDC family has two children.

Many parents of AFDC children are already working, trying to work, or unable to work. Four out of five of all AFDC families are headed by single women. Over half have at least one child under six. Of ten mothers on AFDC, four are caring for preschool children; three are working, seeking work, or in training; one is disabled; and two are not currently seeking work. Of this latter group, more than half are either over 45 or have never been employed. Two-thirds of the mothers of children on AFDC were not high school graduates.

In most states, AFDC payments are intolerably low, failing to provide even a minimum level of decency. In Mississippi, the average payment for a child is $0.99 a day or $30 per month;

in Texas it is $1.19 per day or $36 per month. The nationwide high is $4.21 per child per day. States set these benefit levels. By contrast, the average monthly payment for a disabled child under the SSI program (where federal law sets benefit levels) is $7.53 per day, or $229 per month.

AFDC recipients get no automatic cost of living increases, and state AFDC payments have generally not kept pace with inflation. The average AFDC recipient now gets $3.10 per day, a decrease from the comparable $3.55 per day in 1976. Michigan, for example, has cut benefits twice in the last three years, and other states have not adjusted AFDC grants to reflect losses due to inflation. In Arizona, for example, AFDC benefits increased by 46 percent during a period when the cost of living rose by 135 percent. AFDC children in Arizona effectively lost more than $1 out of every $3 to inflation.

States can pick and choose among many options for who can receive AFDC. Nineteen states will not aid a first-time pregnant woman until she gives birth. Twenty-six states will not help a two-parent family with an unemployed parent.

What Happened in the FY 1982 Budget?

Federal funds for the $7 billion AFDC Program were slashed by slightly over $1 billion in FY 1982. Combined with state matching funds, this resulted in a reduction of almost $2 billion in money available for income supports to poor children and their families.

Congress adopted virtually all of the Administration's proposals for changes in the program, although some proposals were made optional for states instead of mandatory. The AFDC changes adopted include a number that jeopardize children and penalize the working poor -- the very people the Administration announced it wanted to help.

Examples of the mandatory provisions include:

- limiting AFDC eligibility to families whose gross incomes do not exceed 150 percent of their state's standard of need. Each state sets its own needs standard, which in theory represents the amount of income a family requires to meet its subsistence needs. Work expense deductions and work incentive disregards allow working families to get a partial welfare grant and keep earned income, thereby having a total income that may exceed a state's needs standard. However, all states have needs standards that fall below poverty guidelines, so even the 150 percent cap will make many families still desperately in need ineligible for AFDC.

- reducing disregards that are applied to earned income before AFDC benefits are determined. Amounts families can claim as work expenses are capped at $160 per month per child for child care expenses and $75 per month for other work related expenses. The $30 and 1/3 "work incentive disregards," designed to give parents an incentive to work, are now calculated on net, not gross income, thereby reducing recipients' incentive to work. The $30 and 1/3 reduction is also limited to four months; after four months, the AFDC grant is reduced dollar-for-dollar for every dollar earned (except for earnings spent on child care and other work expenses).

- counting a stepparent's income as available to a child in determining AFDC eligibility and benefit levels -- whether it is in fact available or not. Formerly, a stepparent's income could be counted in determining eligibility and benefit levels only if the stepparent had a legal obligation under state law to support the child, or his income was actually available to the child. Now the income must be counted whether or not the stepparent is legally contributing to the support of the child or can legally be made to do so.

- not allowing federal assistance for AFDC for mothers pregnant for the first time until their sixth month of pregnancy. Previously, states could claim federal reimbursement for AFDC from the time the pregnancy was medically confirmed. Almost half the states did so. Moreover, now no federal assistance will be provided for benefits for the unborn child.

- limiting a former state option of providing AFDC to students aged 18 to 21 to students through age 18 who are expected to complete high school or a vocational program by age 19.

- budgeting retrospectively. Except for the first and last months of AFDC eligibility, AFDC grant levels are now calculated "retrospectively," based on income of one or two months prior to the month the grant is issued. Therefore, when families experience a drastic decrease in income -- a mother loses her job due to illness, for example -- they will have to wait up to two months to have their grants reflect their dramatically increased need.

Optional provisions include:

- allowing states to count the value of food stamps and housing subsidies as income in determining a family's AFDC eligibility and benefit levels.
- allowing states to set up community work experience programs ("workfare"), which require recipients to work off their AFDC grant. Despite a statutory provision that parents of children ages 3 to 6 can be required to participate only if child care is available, federal regulations provide no guidance about what is safe or appropriate child care.
- allowing states to set up alternative work programs for AFDC recipients, including work supplementation programs and work incentive demonstration substitutes for the WIN program.

Impact of the FY 1982 Changes

The impact of these changes on the 7.6 million children and their families who receive AFDC will be devastating. More troubling, however, is the fact that the changes described above are only the beginning of a master design to withdraw federal support from the most truly needy children and families who are dependent upon publicly supported human services.

- Hundreds of thousands of children and families will be removed from the rolls; thousands of others will receive reduced benefits.
  - -- At least 660,000 families are expected to lose AFDC or to receive reduced benefits. These families include over 1 million children.
  - -- In New York State alone, approximately 36,000 18- to 21-year-olds who are in school are expected to lose their AFDC eligibility.

- Loss of AFDC means the loss of medical care and other essential support services for many children and their families.

  -- In 20 states, loss of AFDC automatically means loss of eligibility for Medicaid.

- Increased fiscal pressures on families have accelerated the demand for alternative services, which are also being severely cut back.

  -- Reductions in coverage of first-time pregnant women are occurring at the same time unplanned teenage pregnancies are likely to increase as a result of reductions in family planning services.

- AFDC recipients who have been working or are being forced to work are being left without assurances of quality child care for their young children, as our chapter on child care describes.

What is Proposed for FY 1983?

As if working families and poor children have not already been asked for enough, the Reagan Administration has proposed an additional $1.2 billion in cuts in the AFDC program for FY 1983, a real cut of over $2 billion when loss of state matching funds is included. And the Administration's "new federalism" proposal would by FY 1984 ask states to take full responsibility for the AFDC and Food Stamp Programs in exchange for total federalization of some version of the Medicaid Program. By FY 1988, assuming the Administration will impose a minimum benefit until that time, states could opt to get out of the welfare business altogether and over 7 million children could be left without even the minimal basics of food, clothing, and shelter.

The legislative changes proposed for FY 1983 include the following:

Penalizing the Poorest. The neediest families, those most dependent on AFDC and hardest hit by the failure of AFDC grants to keep pace with inflation, have had to make adjustments in how they live in order to make ends meet. Families share housing,

and live from crisis to crisis. The Administration seeks to take away basic supports for these families, including emergency help, proposing to:

- eliminate the Emergency Assistance program. At their option, states can currently provide emergency assistance once a year to families in crisis (for example, paying for replacement bedding if the family has lost its furniture in a fire). Half the states now participate. This program would be eliminated, and the only way states could provide emergency assistance would be through a "broadened" energy assistance program -- which the Administration proposes to cut by $565 million.

- require that part of the value of low income energy assistance grants be counted as income in determining a family's AFDC benefits. Low income energy assistance grants were established to meet the emergency needs of the poor, whose ordinary income, including AFDC grants, was inadequate to meet the soaring costs of heat and electricity. For example, sixty percent of all low income people use natural gas as their primary heat source, and gas prices increased 20 percent in 1981. By requiring that low income energy assistance be offset, the basic goal of the program to meet emergency needs which otherwise go unmet, would be defeated.

- reduce shelter and utility allowances to AFDC families who have chosen to share housing with other families based on the assumption that they no longer need the full amount of shelter and utility assistance available to a family of their size. In fact, welfare families often share housing space precisely because the current full grant for housing and utility costs, which virtually no state has adjusted to reflect inflation, is not adequate to provide even minimally safe and decent housing without sharing space with other families.

- include the income of all unrelated adults as part of the AFDC household's income. For example, if the AFDC household shares living space with an unrelated woman who works, apparently her income will be counted as available to the AFDC family, whether she actually contributes to their care or merely shares an apartment with them to cut down on her own living expenses.

- require inclusion of all related minor children, except those receiving SSI benefits, in the assistance unit.

Pennies From Children

Just as school children saved their pennies to pay for installing the Statue of Liberty, now the Administration is taking pennies from AFDC children to give to defense. The Administration is proposing the following "administrative" savings at the expense of children:

- requiring states to round benefits to the lower whole dollar. Presently, states can "round up," giving families the benefit of the doubt when grant calculations come out to a dollar and change.
- prorating the first month's benefit based on date of application. States are now allowed to pay benefits back to the first day of the month of application. Under this proposal, states would be required to give a partial grant for the first month, prorated to reflect the date of application, even though a family may have been without income for the entire month and desperately needs a full month's grant.
- reducing federal matching funds for erroneous benefit payments. States will be penalized by loss of federal matching funds for errors in excess of 3 percent of their AFDC caseload. By 1986, they will be expected to have a zero error rate. Benefits due children and families are likely to be cut back because of state administrative errors.
- combining administrative costs for AFDC, Medicaid, and Food Stamps.

Changing Work Requirements

The Administration proposes to implement punitive work requirements and eliminate WIN, the only existing program that provides support and training for AFDC recipients. The proposals would:

- eliminate funding for the Work Incentive Program (WIN). WIN provides job counseling, training, placement, and support services for AFDC recipients struggling to find permanent employment.
- mandate workfare programs rather than leave implementation of such programs to state option. Last

year's Reconciliation amendments gave states three new work-related options, including workfare. This proposal would limit states' flexibility in choosing which option to implement.

- mandate job search for AFDC applicants; provide AFDC-Unemployed Parent benefits only if the parent participates in workfare; remove the parent or caretaker from the grant for voluntarily quitting work, reducing earnings, refusing employment, or refusing a workfare assignment; and remove an employable parent from the AFDC grant when the youngest child reaches 16.

These changes and others are expected to result in a $1.2 billion reduction in the program. The overall impact of these cuts on families and children will be made more damaging when viewed in the context of the anticipated $2.8 billion cut in the Food Stamp Program.

CHAPTER 6

FOOD STAMPS

Background

The Food Stamp Program now serves 22 million low-income Americans. Families must have both limited incomes and limited assets to qualify. The latest U. S. Department of Agriculture survey data show that food stamp households have average gross incomes of $325 a month and average cash assets of $66 while they receive stamps.

Most of the 22 million persons receiving stamps are persons who cannot work. Half are children. Another 28 percent are single-parent heads of households with children, or elderly or disabled persons. The number of persons receiving food stamps may seem large until it is compared to the number of Americans who now fall below the poverty line--29.2 million.

Food stamp benefits are quite modest. The average benefit is now 43 cents per person per meal. Food stamp benefits are tied to the cost of the "Thrifty Food Plan," the least expensive food plan ever devised by a federal agency. The Agriculture Department's own surveys show that five of every six families whose food expenditures are at the same dollar level as the Thrifty Food Plan fail to obtain the Recommended Daily Allowances for the basic nutrients.

Combined basic welfare and food stamp benefits fall below the poverty level in every state in the nation. In a number of states, the combined benefits equal only about half of the poverty level.

Food Stamp Cuts Made in FY 1982

The Food Stamp Program was cut substantially in FY 1982. It was first cut deeply in the Reconciliation Act and then again in the farm bill that passed just before Congress adjourned in December.

Total cuts in food stamp benefits equal $2.35 billion in FY 1982 and nearly $7 billion over the three-year period from FY 1982 to FY 1984.

As a result of the cuts, about 1 million persons are being removed from the Food Stamp Program, and nearly all others (including the poorest of the poor and the elderly) are receiving smaller benefits than they would have under the prior law.

Despite Administration rhetoric about saving funds through reduced fraud and abuse and through removing those not in need of food stamps, over 80 percent of the savings came from reducing benefits for those with gross incomes below the poverty line. Most of the remaining savings came from reducing or terminating benefits for families slightly above the poverty line who work and pay taxes out of their incomes. Savings from new initiatives to reduce fraud and error were marginal.

Among the major reductions that were enacted were a series of cuts that will have particular impact on low-income children and their families:

- Cost-of-living adjustments: The annual cost-of-living adjustment, normally made each January to reflect increases in food prices, is postponed until the following October. Food stamp benefits will fall well behind actual food prices as a result.

  The last cost-of-living adjustment was done in January 1981 and reflected food costs in September 1980. Since there will be no subsequent adjustment until October 1982, food stamp benefits through September 1982 will continue to be based on food costs in September 1980--two years earlier.

- Reduction in benefits for working families: Previously 20 percent of the earnings of working families were deducted, and not counted as available income, when determining a family's food stamp benefit level. This was done because working families must pay taxes and incur work-related expenses, and these taxes and expenses average about 20 percent of their gross earnings. The Reconciliation Act reduced the deduction from 20 percent of earnings to 18 percent of earnings, which is below the taxes and work expenses of many working food stamp families. As a result of this reduction, all working families on food stamps--about 1.3 million families with about 4 million persons--have lost some food stamps.

- Lower income limits: Food stamp income limits were lowered for the third time in the last three years. About 900,000 persons in families with gross incomes between 130 percent and 150 percent of the poverty line had to pay taxes and work expenses out of these earnings, and also had high shelter costs.

New Proposals for FY 1983

The Administration is proposing about $2.8 billion a year in additional food stamp cuts.* The new proposals are significantly harsher and more regressive than even last year's proposals. They would result in massive benefit reductions for some of the nation's poorest families.

The new proposals are especially severe on the working poor--the same group that was so severely hit by last year's budget cuts in a number of programs. These proposals go far to undermine incentives to work. Families that work would get fewer food stamps than families who have the same level of disposable income (through welfare or unemployment insurance) but do not work.

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* The Administration proposals would result in $2.8 billion Food Stamp cuts in FY 1983. Large cuts are also proposed in public assistance programs such as AFDC and SSI that would reduce family incomes. Because these cuts will result in an increased need for food stamps of about $500 million, the net reduction in the Food Stamp budget is $2.3 billion.

The Administration's proposals include:

- Abolishing the earned income deduction which would cut benefits substantially for the working poor. As noted, 18 percent of gross earnings are now deducted in figuring food stamp benefits in order to compensate for taxes and work-related expenses. The Administration is now proposing to abolish this deduction altogether and to use gross earnings in figuring food stamp benefits. This amounts to assuming that funds withheld for taxes are actually available to buy food.

- As a result, working families will get fewer food stamps than families who have the same level of disposable income but do not work. For example, if two families live next to each other, and one gets $5,000 a year from welfare or unemployment compensation while the other family works and receives $5,000 in take-home pay, both families now get about the same amount of food stamps. Under the new Administration proposal, the family that works will get about $300 to $400 a year less in stamps than the family on welfare or unemployment insurance because the working family's benefits will be tied to its gross wages,and no consideration will be given to the fact that a portion of its wages are withheld as taxes or consumed by work-related costs.

- This proposal will result in a $600 million a year benefit reduction--with the entire reduction being concentrated in that 17 percent of all food stamp families who work.

- Raising the "benefit reduction rate" from 30 percent to 35 percent, which would cut benefits across the board by nearly $1 billion a year.

- Currently, families are expected to use 30 percent of disposable income for food. The difference between the cost of the Thrifty Food Plan (the USDA's minimum diet plan) and 30 percent of the family's income is provided in food stamps.

- The Administration is now proposing that families spend 35 percent of their disposable income on food and have their food stamp benefits reduced accordingly. In other words, all households would have their food stamp benefits cut by an amount equivalent to 5 percent of their disposable income.

This would result in a major across-the-board benefit cut affecting nearly all families on food stamps. In some cases, the proportion of benefits lost would be extremely large. A mother and child with $425 a month in income (or an elderly couple on Social Security with a $425 monthly income) would lost 62 percent of their food stamp benefits.

In addition, this proposal would further reduce benefits for the working poor. The combined impact of this proposal and the proposal to eliminate the 18 percent earned income deduction would be massive. A four-person family (two parents and two children or a mother with three children) whose breadwinner earned the minimum wage (which is only about 80 percent of the poverty line) would lose nearly $700 a year in stamps (or about half of its food stamps).

- Reducing food stamp benefits if a family receives energy assistance payments. Benefits would be cut by up to $5.25 for every $10 a family receives in low-income energy assistance payments. This would cause particular hardships for families and children in the Northern part of the country.

The Administration contends that energy assistance payments are discretionary payments that are available for food, and therefore food stamp benefits should be cut if a family gets energy payments. This contention is demonstrably incorrect. The energy assistance program was initiated in 1978 to help low-income families offset the steep increases in energy bills due to the deregulation of oil prices and to OPEC price hikes. Between 1978 and 1980 alone, energy costs incurred by low-income households increased by $6 billion a year. The energy assistance program, funded at about $1.75 billion a year, offsets less than one-third of the price increases. It does not provide additional money to buy more food.

Moreover, in a large number of states, the energy payments are sent directly to utility companies to apply against a family's bills, and the family never so much as handles the money.

Under this proposal, all families receiving energy payments will lose food stamp benefits. Some families will even be made ineligible for food stamp

benefits in the winter months when the energy payments are provided--because when the energy payments are added to their regular income (which the Adminstration proposal requires) they would be lifted over the food stamp income limits.

This proposal will--in a very real sense--place many poor families in the dilemma of having to choose between adequately feeding themselves and their children or adequately heating their apartments.

- Raising rents for families receiving housing assistance if the families also get food stamps. Families who receive federal rent subsidies now pay 25 percent of their incomes for rent, with the government paying the remainder. Last year's Reconciliation Act required that rents be raised from 25 percent to 30 percent of income over the next five years. Now the Administration is proposing to raise rents much further. Instead of paying 25 percent to 30 percent of income for rent, low-income families would now have to pay 25 percent to 30 percent of the combined total of this income plus their food stamps.

  The resulting increases in rents would be dramatic. Rent increases of 25 percent to 50 percent would be widespread. For some poor families, rents would more than double. (Under the Administration proposal, rent increases of this magnitude would be spread out over more than one year--but eventually the full increase would be put into effect.)

  Female-headed households with children constitute over half of all families who participate in the rent subsidy programs. (In addition, elderly households constitute another third of those affected; these two categories combined account for 85 percent of those who would have their rents raised.) Most of these families have gross incomes below $5,000 a year; many are below $3,000 a year.

  AFDC mothers and children in the South--one of the poorest groups of people anywhere in the United States--would suffer excruciating hardship. Because welfare payments are so low in the South ($96 a month--or 16 percent of the poverty line--for a family of three in Mississippi; $141 a month in Texas), food stamp benefits are large. If rents are raised $25 to $30 a month for every $100 in food stamps, then rents for many

Southern AFDC families will double or triple over the next several years. The AFDC mother in Mississippi who receives $96 a month in welfare payments, for example, would have her rent raised over coming years from $24 to nearly $96 a month. Virtually her entire AFDC check would have to go for rent, and she would be left with virtually no cash for clothing for her children, transportation, or other expenses.

Some poor families would probably feel they had no choice but to move out of subsidized housing and live in cheap substandard housing--so that they can clothe children and meet other needs--or to drop out of the food stamp program so that they can afford to pay the rent.

CHAPTER 7

THE NEW FEDERALISM AND THE PROPOSAL TO TRANSFER FOOD STAMPS AND AFDC TO THE STATES

As presented by the Administration, the President's "new federalism" proposal has the following key components for implementation beginning in 1984:

- the "swap," in which the states must take responsibility for what OMB Director David Stockman estimates to be $16.5 billion in AFDC and Food Stamp payments, while the federal government absorbs an estimated $19.1 billion in state Medicaid costs;
- the "turnback" of 43 broad federal programs to the states, which the Administration says would cost $30.2 billion to finance in 1984;
- a federal trust fund of $28 billion supported by federal excise and oil windfall profits taxes to be used to finance the turnback programs and equalize the gains and losses for each state from the swap of AFDC and Food Stamps for Medicaid for the initial four years;
- state elimination and "cash in" of any or all of the 43 turnback programs as a kind of "super revenue-sharing" and use of the funds for any purposes, or state assignment of their share of the trust fund to continue the existing federal programs; and
- in FY 1988, the trust fund will start to be cut 25 percent a year until it ends completely in 1991. Thus, beginning in 1988, the states will either have to raise taxes to finance existing entitlements and services, or they will have to cut back on these basic public services.

Major Issues

There are a number of questions raised by the President's proposals. First, they depend on massive budget cuts in FY 1983 so that the swap, turnback, and trust fund numbers balance in 1984. As outlined in more detail in the preceding chapters, this means a more than $1.2 billion additional cut in AFDC, $2.3 billion from Food Stamps, and $2.1 billion from Medicaid. We conservatively estimate it will also mean at least a $10 billion cut from the funds necessary to maintain the 43 turnback programs at current service levels. These cuts could cripple the states' capacity to assume responsibilities for AFDC, Food Stamps, and other major programs. Despite Mr. Stockman's claims, the states will be given vast responsibilities without the resources to meet them.

Second, President Reagan is not seeking mere block grants or turnbacks, but rather the termination and repeal of major entitlement programs and scores of services for the politically weak non-elderly poor. The President is proposing, after a brief transition period, to eliminate the federal role and financing for a broad range of programs.

Third, the apparent attractiveness of the federal takeover of all Medicaid costs may be a mirage. By introducing national standards that deny eligibility to current recipients or that cut back on services currently provided, this "reform" could shift major costs back to the states, unless state officials are willing to see their citizens worse off under the new system. For the long run, the Administration has explicitly stated it wants to establish an "integrated cost containment program" for both Medicare and Medicaid, and has indicated it is considering turning both programs into a voucher system run by private insurance companies. This is not a strategy to improve the health care of poor Americans, or, ultimately, to relieve the fiscal burden of the states in caring for the health of their citizens.

And fourth, it is misleading to assert that with the 25 percent a year reduction in funding for the trust fund, the states will be able to impose the same trust fund taxes to preserve their revenues. How can all states replace an oil windfall profits tax, when most states do not have any oil production? In addition, excise taxes are regressive, do not keep up with inflation, and will produce widely varying amounts of revenue in different states unrelated to each state's needs. This disparity is unfair and inequitable to the states and to their citizens. For some states, the Administration's plans will mean, in effect, the replacement of revenue-sharing with a new "deficit-sharing."

New Block Grants

The Administration is also proposing to expand the range of block grants to the States. There are eight new block grants covering (according to OMB Special Analysis):

- Vocational and adult education. This proposal combines eight smaller grants into one consolidated grant. The eight smaller grants are: basic grants, program improvement and supportive services, programs of national significance, special programs for the disadvantaged, consumer and homemaker education, state advisory councils, state planning, and adult education grants to states. Budget authority of $500 million is proposed for the consolidated grant for FY 1983, compared to $633 million for FY 1982.

- Education for the handicapped. This proposal will consolidate 13 different education programs for the handicapped. Budget authority of $836 million is proposed for FY 1983, $50 million less than for FY 1982 (assuming approval of the Administration's recommended recision of $250 million in P.L. 94-142 funds for FY 1982).

- Employment and training. Four separate programs currently part of the Comprehensive Employment and Training Act are proposed for consolidation to allow states more flexibility in responding to local needs. Proposed FY 1983 budget authority is $1.8 billion, compared to $2.2 billion for FY 1982.

- Rehabilitation services. This proposal would combine basic state grants together with a number of project grants into one consolidated grant for rehabilitation services. Proposed budget authority for FY 1983 consolidated grant is $624 million, compared to $835 million for FY 1982 for the predecessor programs.

- Child welfare grant. This proposal would combine the four current programs for foster care, child welfare services, adoption assistance, and child welfare training into one grant. Budget authority proposed for FY 1983 is $380 million $85 million less than in FY 1982.

- Rental rehabilitation grants. This proposal would combine the rehabilitation loan fund and the Section 8 moderate rehabilitation program into one grant to provide for housing rehabilitation. Budget authority of $150 million is proposed for FY 1983, compared to $49 million for FY 1982.

- Combined welfare administration. This consolidation would combine grants for state administration of Medicaid, public assistance, and food stamps. Budget authority of $2.2 billion is proposed for FY 1983, compared to $2.3 billion for FY 1982.

- Child nutrition. This proposal would combine the School Breakfast Program and the Child Care Food Program. Budget authority of $488 million is proposed for FY 1983, compared to $612 million in FY 1982.

Expansion of three block grants passed last year is planned:

- the Primary Health Care Block Grant would be broadened to include black lung clinics, migrant health, and family planning programs. Budget authority would be $417 million for FY 1983, sufficient to maintain FY 1982 funding levels.

- the Maternal and Child Health Block Grant would absorb the WIC program. Combined funding would be $1 billion, or $300 million less than FY 1982 levels.
- The Energy and Emergency Assistance Block Grant. This proposal would add the emergency assistance program to the existing Low-Income Energy Assistance Block Grant. Budget authority of $1.2 billion is proposed for FY 1983 compared to $1.6 billion in FY 1982.

The new block grants continue the pattern we have seen. They are the first step in cutting the budgets and eventually eliminating the federal role in these program areas. Last year, funding for the programs included in six of the block grants passed in 1981 was cut by $1.4 billion or 26 oercent. In FY 1983, these block grants would be cut by another $700 million.

The programs in the new block grants were funded for $9.2 billion in FY 1982; the Administration is recommending $7.6 billion for FY 1983, a cut of $1.6 billion or almost 20 percent from current dollar levels, without any provision for inflation.

Again, block grant "flexibility" turns out to be the flexibility for state and local officials to distribute cutbacks and pain.

At the heart of the New Federalism initiative is the "swap" of Medicaid for Food Stamps and AFDC, which could have a devastating impact on children.

To accept the framework of the swap for these programs is not only risky but wrong. The proposal violates the long-held position of the National Governors' Association, the Mayors, and the Advisory Commission on Intergovernmental Relations that the basic income assistance programs for our poor is a federal responsibility. Initial assessments by the Governors' Association staff have identified several areas of major concern on which the Governors are seeking more detail and much firmer assurances than the Administration has provided that the states will not suffer fiscal harm. A detailed analysis of the issues involved in this transfer follows.

The Proposal to Transfer Food Stamps and AFDC to the States

The Reagan Administration's proposals to "transfer" food stamps and AFDC to the states, with the federal government picking up the states' share of Medicaid costs poses serious problems.

- The proposal does not continue food stamps and AFDC and simply shift the cost of financing these programs to the states. It terminates food stamps and AFDC as we know them today. Although final details of the plan have not been worked out, and it is possible that some temporary "maintenance of effort" provisions could be included, it seems clear that states would not have any obligation (at least not after the first several years) to fully utilize the state funds formerly spent on Medicaid for the subsistence needs of low-income families. States would eventually be able to shift some of these funds to highways, use them to reduce the state's deficit or tax burden, or for any other purposes.

- It is extremely likely that many states (probably most states) would shift some of these funds away from low-income families. The states face major budgetary pressures and competing demands from many other, more powerful constituencies. The experience of the past 15 years illustrates that AFDC and food stamp recipients do not fare well when state funding decisions are made and would be in particular jeopardy under the new Administration proposal.

- In a number of states -- especially in the South -- AFDC benefits remain extremely low today. In Mississippi, a mother and two children with no other income receive a maximum AFDC grant of $96 a month ($1,150 a year), or 16 percent of the poverty line. In Texas, a mother and two children receive $116 a month. In all but two Southern states, the maximum payment to a three-person family with no other income falls below $200 a month, and in half the Southern states it is less than $150 a month.

- Low benefit levels are not limited to the southern states. Twenty-two states provide maximum payments of less then $285 a month (or less than 50 percent of the poverty line) to a mother and two children with no other income. Ten of these twenty-two states are outside the South. And in no states does even the combined AFDC and food stamp payments bring a family up to the poverty line (currently $7,070 for a family of 3).

- Despite the widely heralded gains from the Voting Rights Act and the reported evolution in attitudes at the state level, AFDC grants are actually lower today (when inflation is taken into account) than they were 10 years ago. A study conducted by HHS found that when inflation is taken into account, AFDC benefits nationwide declined 24 percent between 1969 and 1980. Since 1970, only two states have increased AFDC benefits as much as the inflation rate, and over half the states failed to increase benefits to reflect even half the increase in the cost of living.

- The situation is now worsening as state budgets tighten. A Congressional Research Service analysis shows that, from 1980 to 1981, over 40 states failed to increase benefits enough to reflect even half the rise in the cost of living, over 30 states failed to provide for any increase at all, and six states actually reduced benefits despite double-digit inflation.

- The AFDC experience is of great concern, because numerous states have kept AFDC benefits extremely low despite the fact that over half of these payments are federally funded. Each dollar in state money brings in at least one dollar in federal money. If AFDC and food stamps are 100 percent state funded, as the new proposal envisions, and each state dollar spent brings in no additional federal dollars, then the pressure to shift substantial sums to other state functions with more powerful constituencies will be overwhelming.

- The history of the Food Stamp Program in the 1960s is also instructive. At that time, states set their own income limits for food stamps even though food stamp benefits were entirely federally funded. Many states, especially those in the South, set very low income limits. South Carolina's income limits, for example, was not much above 50 percent of the poverty line.

Even worse, in the late 1960s, several hundred counties did not operate a food stamp program. Some of the poorest counties in the country declined to run the program even though the federal government paid the full costs of food stamp benefits.

- Due in significant part to this state and local reluctance to mount adequate food assistance efforts, major problems of hunger and malnutrition among the poor were discovered in the late 1960s and shocked the nation at that time. In some parts of the South, doctors working with HEW's "Ten State Nutrition Survey" found that low-income children were suffering from nutritional deficiency diseases at rates comparable to the rates in underdeveloped countries. When doctors returned to the same areas ten years later, they found poverty-related hunger and malnutrition to have been reduced dramatically. The doctors credited the Food Stamp Program as the major reason for this progress, and called the food programs some of the most successful of all anti-poverty efforts in recent years.

- The most important steps in alleviating the alarming decree of hunger and malnutrition found in the 1960s were taken by a Republican president, Richard Nixon. It was President Nixon who ended state income limits and benefit levels in the Food Stamp Program and instituted national standards. President Nixon took these steps because state and local government were failing to meet the need. If states failed to meet the need then, when the federal government footed the bill, what reason is there to believe they would meet the need now, when they would have to use state dollars to fund these efforts and when they are facing severe budget crunches?

- This problem is made even more serious by the fact that virtually no state would mount a Food Stamp Program of its own, due to the administrative problems. For a state to set up its own Food Stamp Program, the state would have to print its own stamps, authorize and police its food stores, safeguard the stamps from counterfeiting, arrange for their destruction after use, etc. All of these tasks are now performed by USDA on a national scale. The administrative costs and burdens for an individual state to take on these tasks would be prohibitive. As a result, rather than run their own food stamp programs, states would be likely instead to increase welfare cash payments

enough to partially offset the loss of food stamps. Less food would probably be consumed, however.

- This problem would be exacerbated over time as food prices rose. Unlike AFDC benefits, which are set at the state level, food stamp benefits have been regularly adjusted by the federal government to keep pace with the cost of food. This has been done to assure that food stamps continue to provide the same level of food purchasing power. Few if any states would be likely to retain this feature if the federal Food Stamp Program is ended. The consolidated cash benefits that would replace AFDC and food stamps would likely fall far behind inflation, just as AFDC grants have in the past decade. This means, quite simply, that as the years go by, low-income families will have less and less to eat.

- The end of food stamps as a separate program, and its likely incorporation into states' cash welfare systems, raises a number of additional concerns. Can it be expected that states will provide benefits to persons above their current welfare income limits, which in a number of states are at or below 50 percent of the poverty line? If not, millions of persons -- especially the working poor -- will lost their food stamps and receive nothing in return.

- Can it be expected that states will provide benefits to those types of families and individuals whom they have up until now refused to include in their welfare programs? In about half the states, two-parent families with children may not receive welfare no matter how poor they are. Can we be sure these states will now change course and provide benefits to those families? If not, these families, too, will lose food stamps and receive nothing in return.

- What about childless couples and non-elderly individuals who live alone? In many states they receive no welfare and can now get only food stamps. What will happen to them? Will 55-year-old widows be able to receive any support?

- Behind all the questions lies a simple fact -- the Food Stamp Program is the only program in America that is available to all who are poor -- regardless of their age, sex, or family composition. The Food Stamp Program is the most basic safety net now provided by any level of government. It assures

that all who have low enough incomes may at least be able to secure a minimum diet and avoid hunger and malnutrition. The Food Stamp Program has been described by some (including former Nixon Administration welfare expert Richard Nathan and Senator Robert Dole) as the most important social program since Social Security. If the program is ended, this safety net will be taken away, and it is virtually inevitable that any state-funded replacement programs will contain gaps through which many poor families and individuals will fall.

- The problem is likely to be especially severe in the South. Southern states now provide the lowest benefits and most restrictive coverage in AFDC. They had the lowest food stamp income limits in the 1960s. They also had the highest degrees of hunger and malnutrition at that time. Yet Southern states are also the poorest states in the nation in per capita income and the least able to finance adequate subsistence programs for their low-income populations. This is of particular concern in a state like Mississippi, which has the smallest revenue base, the lowest per capita income in the nation, and where one in five residents now receives food stamps.

- If Southern states significantly reduce benefits and coverage, however, this will have extremely undesirable effects on all states. Currently, one of the most important functions played by the Food Stamp Program is to help "fill the gap" between states with low AFDC payments and states with higher payments. Since food stamp benefits are tied to income, recipients in states with low AFDC benefit levels receive more food stamps than do recipients in higher payment states. As a result, the disparity in total benefits between recipients in different states is lessened. If, however, the food stamp and AFDC programs as they now exist are ended, and Southern states sharply reduce benefits, then the disparity among states will grow significantly. This, in turn, might spur renewed migration of low-income, unskilled persons from the South to Northern urban areas. At a time when many of these cities and a number of Northern industrial states are in economic decline, they would receive an influx of new recipients dependent on state support. This could pose severe problems for Northern cities and states, especially since they would now have to

support these new arrivals entirely with state dollars.

- The problems would be exacerbated during periods of high unemployment. Currently, when unemployment rises in a city or a state, more persons in that area enroll in the Food Stamp Program. This serves two purposes: it allows unemployed families to obtain adequate food without further draining state or local tax revenues that are depressed because of the economic downturn, and it also brings more federal money into the depressed local economy. Under the new Administration proposal, there would be no federal response to rising unemployment because the federal government would no longer be financing a Food Stamp Program. This means that when unemployrises, state and local governments would have to cut back on assistance rather than expand it, because the state revenue base to finance these programs would be contracting. This would not only adversely affect low-income recipients of the programs but could also result in some further depression of state and local economies at a time when they were already weak.

- Finally, the Administration's proposal to federalize Medicaid could, in some states, further intensify the problems created by the turnback of AFDC and food stamps. In Medicaid, there is great variation among states in the income limits used, in the medical services provided, and in whether various categories of persons (two-parent families, persons living alone, childless couples, families just above the AFDC income limits) receive Medicaid coverage. It will not be feasible, either politically or legally, for the Medicaid program to be financed entirely by the federal government and to maintain the vast disparities in coverage and benefits now provided. It is virtually inevitable that in states now providing a more extensive Medicaid program, there are significant aspects of the current program that will not be supported when the federal government takes over. If these states choose to maintain existing Medicaid standards, they will have to use state dollars to bridge the gap between their current Medicaid program and a smaller-scale federal program. This would reduce, in some cases by a very substantial amount, the funds available to the state to replace AFDC and food stamp benefits and would thereby lead to further benefit reductions. Of course these

> states could decide not to maintain current Medicaid standards, but then many low-income families and individuals, especially the working poor, would lose some or all of their Medicaid benefits. Either way, low-income persons end up the losers.

The conclusion seems inescapable that millions of low-income Americans would eventually have their already low standards of living reduced if the "transfer" proposal becomes a reality. In some places, the reductions could be dramatic, and the types of hunger and malnutrition problems found in this country only 15 years ago could return to some extent. The gap between poor Americans and those in higher income brackets, already increased by last year's budget and tax bills, would be expected to widen further.

The Reagan Administration's Illustrative List of Programs for Turnback to the States

Category/program	Number of grants made in FY 1981
Education and Training (5)	
Vocational Rehabilitation	5
Vocational and Adult Education	13
State Block Grants (ECIA Ch. 2)	28
CETA	8
WIN	1
	55
Income Assistance (1)	
Low-Income Home Energy Assistance	1
Social, Health, and Nutrition Services (18)	
Child Nutrition	4
Child Welfare	1
Adoption Assistance	1
Foster Care	1
Runaway Youth	1
Child Abuse	1
Social Services Block Grant	2
Legal Services	1
Community Services Block Grant	8
Prevention Block Grant	8
Alcohol, Drug Abuse, and Mental Health Block Grant	5
Primary Care Block Grant	1
Maternal and Child Health Block Grant	7
Primary Care Research and Development	1
Black Lung Clinics	1
Migrant Health Clinics	1
Family Planning	1
Women, Infants, & Children (WIC)	1
	46

Transportation (11)

Grants-in-Aid for Airports	2
Highways:	6
Primary	
Rural	
Urban	
Bridge	
Construction Safety	
Other	
Interstate Transfer	1
Appalachian Highways	1
Urban Mass Transit:	
Construction	1
Operating	1
	12

Community Development and Facilities (6)

Water and Sewer:	2
Grants	
Loans	
Community Facilities Loans	1
Community Development Block Grant	2
Urban Development Action Grants	1
Waste Water Treatment Grants	1
	7

Revenue Sharing and Technical Assistance (2)

OSHA State Grants	1
General Revenue Sharing	2
	3

GRAND TOTALS:

Programs	43
Grants made in 1981	124

CHAPTER 8

HEALTH SERVICES FOR MOTHERS AND CHILDREN

Background

As crucial as the issue of good health insurance coverage under Medicaid is for mothers and children, of equal importance is the availability of quality health services for families -- not only for those who receive Medicaid but also for families who have no insurance at all and therefore no means of paying for needed health care from private doctors, hospitals, or clinics.

Since the beginning of the New Deal, the federal government has maintained a strong commitment to ensuring that poor mothers and children living in severely medically underserved areas or without a means of purchasing health services nevertheless have access to decent health care. This commitment has been carried out through four major federal health programs that substantially supplement state and local efforts: the Title V Maternal and Child Health and Crippled Children's Program; the Community Health Centers Program; the Migrant Health Centers Program; and the Family Planning Program. In 1980 these programs provided essential health services to nearly 26 million persons, about 23 million of them mothers and children.

The Title V Maternal and Child Health and Crippled Children's Program, enacted in 1935, reached nearly 15 million mothers and children in 1980 with services ranging from basic prenatal care and checkups and immunizations for children to the most sophisticated types of medical care for crippling childhood diseases and newborns in need of intensive care.

In 1981, 872 Community Health Center sites provided comprehensive health services in the most severely medically underserved urban and rural areas of the nation. Studies have shown that Community Health Centers deliver not only high quality but cost-effective care -- reducing hospitalization rates between 25 percent and 44 percent. Over 120 Migrant Health Centers reached families in the migrant stream -- a population in which nearly 20 percent of all women, twice the national average, have little or no prenatal care and in which nearly half of all women have experienced at least one out-of-hospital birth.

During 1981, over 4 million young women and mothers received family planning and other health and educational services at about 5,000 family planning sites nationwide. In addition to delivering essential health services, the family planning program yielded a documented savings of $1.80 for every $1.00 invested in the program.

Even Before FY 1982 Health Cuts, Millions of Mothers and Children Went Without Health Services

Despite the achievements of these health service programs, the federal government has estimated that nearly 50 million Americans still have inadequate access to decent health care because of geographic, financial, racial, or cultural barriers. For most of these families, poverty is a way of life; many lack even the most fundamental tools for good health -- adequate sanitation facilities, clean water supplies, transportation, and communication lines. Their women and babies show far higher maternal and neonatal death rates and a significantly higher rate of low-birth-weight babies, which can lead to severe developmental disabilities and public and private costs later in life.

What Happened in the FY 1982 Budget?

The Reagan Administration proposed to abolish all of these and other crucial health services programs and replace them with two general block grants to states. The Administration's proposed Basic Health Services Block Grant would have included both community and migrant health centers as well as black lung clinics, home health services, the Title V Maternal and Child Health and Crippled Children's programs, community mental health center services, sudden infant death syndrome funds, and emergency medical services. The proposed Preventive Services Block Grant would have folded family planning in with hypertension, Health Incentive Grants, risk-reduction health education, venereal disease programs, fluoridation, rat control, lead-based paint poisoning prevention, genetic disease control, and adolescent health. The Administration's proposed funding cuts for all programs amounted to 25 percent (before inflation), with no increased funding in the following years.

Although strong advocacy both within and outside Congress defeated these proposals, budgets for health services programs for mothers and children were cut dramatically. Congress did, however, include in the Reconciliation Act a Maternal and Child Health Block Grant, which consolidates maternal and child health and crippled children's services, sudden infant death syndrome funds, hemophilia services, genetic disease control, rehabilitation services for disabled children, and adolescent pregnancy services. The new program eliminated the requirement under the Title V program that states maintain a program of comprehensive health service projects and slashed federal funding for the new block grant by 30 percent from FY 1981 current policy levels.

Community Health Centers were placed in a Primary Care Block Grant program, with state takeover an option beginning in FY 1983. Federal funds were slashed by 29 percent from FY 1981 levels. Migrant Health Centers and the Family Planning Program survived intact, but with federal budget reductions of

18 percent and 29 percent respectively from FY 1981 levels.

What is the Impact of the FY 1982 Cuts?

As a direct result of the FY 1982 budget cuts, 40 Community Health Centers have closed. These closures mean that 199,328 people have lost health services. Estimates are that 89,697 are children (45 percent of the user population) and 69,765, women of childbearing age (35 percent of the user population). By the end of the year, 120 health centers are expected to close, affecting 1.26 million people, of which 562,000 will be children and 441,000 women of childbearing age.

Until now, the Migrant Health Center serving eastern Virginia has provided comprehensive home attendance services for migrant mothers and their babies released a day after birth. The clinic reports that it has been able to prevent any medical disasters from occurring. It anticipates, however, that in light of the severe budget cuts in funds for Community and Migrant Health Centers, this program is jeopardized. The result, according to the clinician, will be heightened maternal and infant mortality.

Information about the impact of federal cutbacks for the MCH Block Grant all add up to the same thing -- clinic closures, cutbacks in services, cutbacks in numbers of children served, and fewer staff to run effective programs:

- One of the major components of the Iowa program for Crippled Children (part of the MCH Block) is the mobile field clinic program staffed by specialists who serve 21 Iowa communities. Each Iowa child is within 50 miles of such a clinic two to four times a year. These clinics provide preventive, early identification, and diagnostic services to 12,000 Iowa families. The CCS administrators estimated, based on first quarter information, that approximately 1800 Iowa children will not get medical care for such problems as congenital heart disease, hearing loss, cystic fibrosis, muscular dystrophy, cerebral palsy, and scoliosis because of the cutbacks in the clinic program.

- A public health official in Tennessee reports that the Crippled Children's Program is no longer admitting handicapped children to the program except on an emergency basis.
- In Georgia, a statewide maternal and child health advocacy group reports that there is a $3.7 million shortfall in the MCH program because of federal cuts. 250 fewer children and 250 fewer high-risk pregnant women will be served by the special program designed to reduce Georgia's high infant mortality rate. 1,500 primary care nurses and doctors due to be trained to better manage high-risk newborns will not get that training. More severe cuts will come if the Georgia legislature does not approve using funds from other block grants to offset some of the losses to the MCH Block, or allocate the additional $1 billion needed to keep the program afloat.
- In New Hampshire, as a condition for taking over the MCH Block, the legislature stipulated that "excess bureaucracy" must be cut. One "excess bureaucrat" who has been cut is the doctor who administers the Maternal and Child Health Block Grant.
- A public official in Arizona reports that for 500 families in one large, rural county with no other health resources, there will no longer be a health clinic providing children with checkups and treatment services. These children will get only immunizations. In other county clinics, checkups will be given only to children under 1 year of age.
- The New Mexico Health Department estimates that because of the cuts in the MCH Block Grant funds:
  - 350 fewer high-risk pregnant women and 100 fewer high-risk babies will get prenatal care.
  - 100 fewer high-risk infants and children will get comprehensive child health services.
  - 2,000 fewer infants and children will get checkups, immunizations, and other preventive health services.
  - 1,000 fewer women will get prenatal care and family planning services.
- The Human Resources Department in North Carolina has lost $2.8 million in funds for the MCH Block Grant programs because of federal budget cuts.

Over $1 million in budget cuts were made just prior to the assumption of the Block Grant. 44 staff positions have been cut. Approximately 500 fewer handicapped children will get the hospital care they need to correct or arrest handicapping conditions. Counties running health clinics will face up to a 13 percent reduction in funds.

The FY 1983 Budget

The Reagan Administration has made it clear that it will continue to abolish programs affecting children's health and make drastic cutbacks in federal funds in others. These cutbacks come on top of the 27 percent cut from FY 1981 current policy levels in categorical programs serving mothers and children.

The Reagan Administration is proposing to end the WIC Program by combining it with the MCH Block Grant and cutting WIC funds by 35 percent from current WIC operating levels.

In addition, President Reagan is proposing to combine into a single block grant the Community and Migrant Health Centers, Family Planning Program, and the Black Lung Program. Funds for this block will be frozen at FY 1982 appropriations levels with no adjustments to offset inflation.

By replacing the Family Planning and Community and Migrant Health Centers Programs with a block grant program, the Reagan Administration will erase the special missions and impressive accomplishments of these programs. Each program has effectively served especially needy populations through a program of carefully developed services tailored to meet those needs. Each program has developed, furthermore, because those needs were not being met at the state level.

Finally, to freeze the funding for these highly effective programs is the same as substantially reducing them, since medical care costs continue to grow.

The Longer-Range Agenda -- "New Federalism"

Although the Reagan Administration's short-term agenda is to dramatically reduce the size and scope of these essential health services programs, the Administration's ultimate goal is to end all federal health service programs for mothers and children by "turning them back" to the states in FY 1984 and then entirely eliminating them by FY 1988.

During the programs' "turnback" phase, a "no strings" trust fund would be established that states could use for any purpose they chose, including the provision of health services. The trust fund itself would be at least $2.2 billion less than the cost of running the current federal programs; states will be expected to make up needed differences by generating their own revenues, regardless of the unmet needs and financial conditions in each state. After the programs themselves are eliminated in FY 1988, the trust fund, too, will be ended, so that by FY 1991, states will be left with no federal program guidance or revenue assistance.

The Reagan Administration's long-term proposal will effectively end nearly a century of slow but steady progress in the area of maternal and child health. The Maternal and Child Health Program, Community and Migrant Health Centers, WIC, Family Planning, and other important health programs were created precisely because of states' inability to meet these most basic health needs in an equitable fashion. Indeed, many of these programs, such as Community and Migrant Health Centers, fill health gaps in the very areas of the country where revenue bases are so inadequate that it is impossible to attract private physicians and clinics. Since all forms of federal revenue aid would cease by FY 1991, there would be virtually no hope for mothers and children living in these underserved areas of the country to ever have the kind of health care that is associated with a decent society.

CHAPTER 9

SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS, AND CHILDREN

Background: Who Benefits?

The Special Supplemental Food Program for Women, Infants, and Children (often referred to as the "WIC program") is one of the most successful federal programs. Run through health clinics, WIC provides prescription food supplements (consisting of such foods as iron-fortified infant formula, milk, eggs, fruit juice, etc.) and nutrition counselling to pregnant and nursing women, infants, and young children. To be eligible, women, infants, and children must be low-income and must also be determined by a medical professional to be at a nutritional risk.

The WIC program today reaches about 2 million women, infants, and children, but it does not reach all who are in need. Across the country, tens of thousands of women, infants, and children are placed on waiting lists or simply turned away because there are insufficient funds to serve them. Several hundred counties have no WIC program. Overall, about two to three times as many persons are eligible for and in need of WIC as actually receive its benefits.

What the Program Has Accomplished

Medical research at major universities and at a number of state health departments has found this program to be extraordinarily effective. A study conducted at the Harvard School of Public Health found that WIC caused a marked reduction in the

incidence of low-birth-weight infants. Low birth weight is the eighth leading cause of death among children in the United States. Low birth weight is also associated with increased incidence of disabilities such as blindness and deafness and of mental retardation. The Harvard study found that, because of the reduced incidence of low-birth-weight infants needing extended hospitalization after birth, each dollar spent in the prenatal component of WIC actually averts $3 in hospital costs.

A study conducted by the Massachusetts Department of Public Health provided important evidence of WIC's importance in reducing infant mortality. In the study, 4,000 births to WIC mothers were compared with 4,000 births to similar women who were not on WIC. The neonatal mortality rate for the WIC births was only one-third as great as for the non-WIC group.

In addition, data collected by numerous states and by the Center for Disease Control (of the Department of Health and Human Services) shows that WIC results in marked reductions in anemia as well.

What Happened in the FY 1982 Budget?

Last year, the Reagan Administration proposed to cut the WIC program by over 30 percent. Nearly one million low-income women, infants, and children at nutritional risk would have had to be removed from the program.

Congress decisively rejected the proposed massive reduction. On every occasion in which WIC funding was considered by the Congress last year -- in the budget committees, in the authorization committees, and in the appropriations committees -- the Congress made clear its desire to defeat the large WIC cuts recommended by the Administration.

The WIC program ended up with an operating level of about $950 million for FY 1982, enabling between 2.0 and 2.1 million women, infants, and children to be served during the current fiscal year. Although a vast improvement over the Reagan

Administration's proposal, this still represents a reduction from the 2.25 million persons in the program when the Reagan Administration took office. There are now 200,000 fewer women, infants, and children being reached in the program than one year ago.

The FY 1983 Budget

The Reagan Administration is proposing to terminate the WIC program. Instead, the Maternal and Child Health (MCH) Block Grant would be expanded to allow states to provide the nutrition services now available through WIC. However, the funds added to the MCH grant to compensate for terminating WIC would be about $300 million less than, or 35 percent below, the current WIC operating levels.

Ending WIC and folding it into the MCH Block Grant would lead to a rapid deterioration of one of the most effective and urgently needed federal efforts:

- If funds are cut 35 percent below this year's level, this would result in hundreds of thousands of women, infants, and children having to be dropped from the program.
- There is no assurance that the funds added to the block grant in place of WIC would be used for nutritional services. Women, infants, and children need nutritional food and adequate medical care. WIC was established as a complement to the MCH program precisely because nutritional supplements were needed but not being provided through the medical care programs.

CHAPTER 10

CHILD NUTRITION

Feeding America's Children

Millions of American children every day receive a large part of their nutritional needs through one or more major child nutrition programs supported by the federal government: the School Breakfast and School Lunch Programs, the Child Care Food Program, the Summer Feeding Program, and the Special Milk Program.

About 3.6 million children in 33,000 schools, 88 percent of them poor or near-poor, participate in the School Breakfast Program; 2 million children participate in the School Lunch Program. A 1980 study by the Congressional Budget Office found that, except for the WIC program, the School Breakfast Program is the most nutritionally effective of the child nutrition programs and is highly cost effective.

The Child Care Food Program provides meals to children of working and poor parents while they are cared for in day care centers or family day care homes. About 90 percent of the funds for this program are for meals for poor or near-poor children. Nearly 2 million low-income children, primarily from inner-city neighborhoods, receive lunches during the summer months through the Summer Feeding Program.

The Impact of the FY 1982 Budget Cuts

Child nutrition programs were cut drastically by the Reagan Administration in FY 1982. The School Breakfast Program

was cut by 20 percent. As a result of the cut, some 800 fewer schools now serve breakfast; over 400,000 fewer children now participate in the program. About 70 percent of the decrease is in free or reduced-price breakfasts to poor or near-poor children.

The School Lunch Program was cut by 30 percent, or $1 billion. These cuts were achieved by changing eligibility rules for free and reduced-price meals and by decreasing the subsidy for students paying full price for their meals. As a result of the FY 1982 cuts, over 2,000 fewer schools and nearly 3 million fewer children are participating in the program, including 900,000 poor and near-poor children who had been receiving free or reduced-price lunches.

The Child Care Food Program (CCFP) was also cut by 30 percent, or nearly $130 million. Child care centers and family homes can now serve only two meals and one snack a day, compared to three meals and two snacks a day before the cuts. Eligibility rules were also changed for this program. Some child care centers have been forced to close because of the combined effects of CCFP, CETA, and social services cuts. Many of those that remain open are raising fees charged to low-income working parents, reducing the number of children they care for, or reducing the quality of care they provide.

The Summer Feeding Program was cut by 50 percent in FY 1982. Only 1 million children will be eligible to participate in the summer of 1982. Programs previously operated by churches and religious organizations, YMCAs and YWCAs, boys' and girls' clubs, and similar organizations no longer will be permited to participate.

The Special Milk Program has been cut by over 80 percent. In FY 1982, the program was eliminated in schools that operate school lunch programs.

The Administration's Proposals for FY 1983

The Administration has proposed even further cuts in child nutrition programs for FY 1983. The School Lunch Program will be relatively unaffected, but the remaining four programs, which serve primarily poor and near-poor children, will be gutted if these proposals are adopted.

The Reagan Administration proposes a Child Nutrition Block Grant, which would combine the School Breakfast Program and CCFP, and a cut in funding for these programs from $735 million to $488 million. When this new cut is added to the cuts made in these programs last year, the combined cut over the two years will be about 50 percent. Furthermore, the proposed FY 1983 figure would be a permanent funding level, so the number of meals that could be provided with the block grant would decrease as food prices continue to rise. More schools will drop out of the School Breakfast component, and hundreds of thousands of children will go without breakfast each day. Hard-pressed low-income working parents will be faced with increases in child care costs to cover the cuts from the Child Care Food component. In a competition at the state level between existing School Breakfast programs and CCFP for reduced funds, the child care programs will be the losers because providers are not as well organized politically as schools are. Further, in 12 states, the child care programs could terminate. In these states, the state education departments are prohibited from disbursing funds to private institutions. Most child care institutions are private, so the U.S. Department of Agriculture has been running CCFP in these states; this would end if the block grant to states was instituted.

In addition to the cuts in School Breakfast and CCFP, the Administration has proposed eliminating the Summer Feeding Program and the Special Milk Program entirely. An additional 1 million poor children will go without nutritious meals during the

summer months in 1983, and many thousands of poor children will not even be eligible for free milk.

The big losers if these cuts are approved will once again be the working poor. They will face both higher child care costs and the prospect of losing up to two meals a day for their school-aged children. This adds to the disincentives of many of these parents to work.

CHAPTER 11

MENTAL HEALTH

The Problem

At a minimum, 3 million children, or 5 percent of the child and adolescent population, will be in need of mental health services at some time during their childhood. In 1970 and again in 1978, national studies undertaken by the federal government found that this particularly vulnerable group of troubled children is seriously underserved: mental health services for them either do not exist or are not appropriate to meet their needs.

Despite these findings, there has been little federal commitment to help these children. No federal programs specifically designed to meet the needs of mentally ill children and adolescents or to encourage states to help serve them exist. Responsibility for their care has been spread out among a number of different federal agencies and programs. For example, emotionally disturbed children are eligible for services under Medicaid, the Supplemental Security Income Program, and the Education for All Handicapped Children Act, but have been grossly underserved. Most of these programs were seriously hurt by the Reagan Administration's FY 1982 budget changes. Many of them are being proposed for further cutbacks this year.

State services for mentally ill children are, for the most part, woefully inadequate, as CDF's 1982 book, Unclaimed

Children: The Failure of Public Responsibility for Children in Need of Mental Health Services, will document in great, and sad, detail.

What Happened in the FY 1982 Budget?

In 1981, Congress passed the Mental Health Systems Act. For the first time, federal money was targeted on improving services for severely disturbed children and adolescents. The Act also provided states with incentives to improve the coordination of services for chronically mentally ill individuals, including children.

Although the authorization levels for these targeted programs were low -- $10 million -- applications from state mental health authorities as well as Community Mental Health Centers had priority, thus making possible the development of state-wide programs on behalf of disturbed children and youth. Further, other provisions of the Act, such as those to improve state planning and reporting, had the potential to positively affect mental health services to all children and adolescents, not just severely disturbed ones.

After President Reagan took office, the Mental Health Systems Act was gutted and included in a new Alcohol, Drug Abuse, and Mental Health Block Grant, which does not target any funds specifically on seriously disturbed children. It does require that states allocate all but 10 percent of the block grant funds to Community Mental Health Centers. Instead of being required to provide a range of specialized children's services, however, these centers are now required only to provide out-patient services for children. Although some federally assisted mental health centers have strong children's programs, many do not. In fact, the U.S. Commission on Civil Rights found in a 1977 study that children were seriously underserved by the centers. Estimates suggest that about 17 percent of the federal Community Mental Health Centers' money is now spent on children, and this percentage has declined

over the past several years. We can expect it to decline still further under the new policies and decreased funding.

The block grant has been funded at $432 million for FY 1982, 26.3 percent below the amount necessary to sustain the services included in the block grant at their FY 1981 levels. In the absence of a specific mandate to serve children and adolescents, the great bulk of this money will be used to provide services to chronically mentally ill adults, the population that has historically received the most attention from state departments of mental health.

What is Proposed for FY 1983?

Some of the most damaging cuts for emotionally disturbed children in FY 1982 were in programs that, although not specifically targeted on their needs, potentially serve mentally ill children and youth. In FY 1983, many of these programs are slated to be slashed again.

- Alcohol, Drug Abuse, and Mental Health Block Grant. Although funding for the Alcohol, Drug Abuse, and Mental Health Block Grant will remain at the FY 1982 level, the impact of inflation alone may well force cutbacks in services offered in the community that are so vital to disturbed children and adolescents.

- Medicaid. Under Medicaid, states have the option of covering mental health services. Yet a recent CDF survey revealed that, of 29 responding states, 23 spent under 4 percent of their Medicaid funds on mental health services for children. The proposed changes and $2.1 billion cut in the Medicaid program for FY 1983 may well force states to totally eliminate such optional services as mental health.

- Child Welfare. According to one national survey, 29 percent of a sample of children in foster care entered because of a parent's emotional problems, 19 percent because of their own emotional problems. Yet child welfare services under the new Adoption Assistance and Child Welfare Act of 1980 were cut back to $156 million in FY 1982 from an anticipated $220 million level. And in FY 1983 child welfare and foster care programs in the Act are threatened

with at least an 18 percent cut and a proposal that they be included in a block grant, effectively repealing the Act's protections for families and children.

- Education. According to the latest federal data, 331,000 seriously disturbed children ages 3 to 21 are receiving education under the mandates of the Education for All Handicapped Children Act, P.L. 94-142. This is far below the number of emotionally troubled children who could be served. Yet in FY 1982, P.L. 94-142's funding was reduced by about 11.5 percent. The Act is now threatened with inclusion in a block grant that would abolish current law. The combined cut for programs in the block grant would be 26 percent or $270 million for FY 1983.

- Title XX monies have been used in the past for both early intervention and residential services for emotionally disturbed children. In FY 1982, Title XX funds (now the Social Services Block Grant) were cut 22 percent, and another 18 percent cut is proposed for FY 1983.

In FY 1984, the Alcohol, Drug Abuse, and Mental Health Block Grant, the Social Services Block Grant, and the child welfare programs are among those programs scheduled to be turned over entirely to the states as part of the "new federalism" if the Reagan Administration's proposals succeed.

Preventive and community-based services are likely to bear the brunt of these backward budget policies, even though, for example, care in one psychiatric hospital in a Northeastern state costs $76,835 per year per child whereas a community-based residential treatment program in the same state costs $24,320 per year per child. Further, because the loss of federal funds and programs for other vulnerable groups is so substantial and threatens to become worse, a serious danger exists that state energies and resources available for emotionally disturbed children and adolescents will be reduced as states seek ways to make up for lost federal dollars. Yet the problems of seriously disturbed children and adolescents will not go away, and the long-term costs of care to them throughout childhood and into adulthood are likely to escalate.

CHAPTER 12

HEAD START

What is Head Start?

Project Head Start is a federally funded child development program for three- to five-year-old children from low-income families. Head Start is unique in its comprehensive services, parent involvement, and community sponsorship.

Since 1965 Head Start has provided medical, dental, nutritional, educational, social, and mental health services to 7.8 million children and their families. Head Start's average cost is $2,343 per child per year.

Who Benefits from Head Start?

Head Start now serves 372,100 children--less than 20 percent of those who are eligible. At least 90 percent of the children enrolled in Head Start are from families with incomes below $8,450 per year for a non-farm family of four. Nearly 11 percent of all Head Start children are handicapped. (These include children with orthopedic handicaps; learning disabilities; visual, hearing, language, speech, and health impairments; and children who are mentally retarded or emotionally disturbed.) Some 61 percent of Head Start's children are Black or Hispanic; 65 percent live in urban areas.

Head Start Works

Head Start improves children's health.

- Head Start improves children's nutrition and reduces the prevalence of anemia.
- By the end of 1979-80, 80 percent of all Head Start children had completed all required medical screenings. Twenty-five percent of the children screened required medical treatment; 89 percent of them actually received necessary treatment.
- By the end of 1979-80, 70 percent of all Head Start children had received dental examinations. Forty-five percent needed treatment. Ninety percent of them received the necessary dental treatment.
- By the end of 1979-80, 72 percent of all Head Start children received all required immunizations for DPT, polio, measles, rubella, and mumps. The immunization rate for Head Start children is 20 percent higher than the national average for poor children.

Head Start gives children a better chance in school.

- A follow-up of 820 Head Start children showed gains in school performance lasting as long as 13 years.
- Children who have participated in Head Start and other preschool intervention programs are less likely to require expensive, special education and are more likely to be in the correct grade level for their age.
- On fourth-grade standardized tests, children who have been in Head Start or preschool scored significantly higher in mathematics achievement than those in the control group and tended to score higher in reading as well.
- Head Start's benefits outweigh its costs by 235 percent; the benefits include increased projected lifetime earnings for Head Start children and the absence of the high costs of special educational services often associated with non-Head Start children.

Head Start involves parents in their children's education and development.

- For every 15 children enrolled in Head Start, 10 parents provide volunteer services to the program.
- Head Start parents involve their children more in household tasks, read to their children more, and show more interest in their children's reading and writing skills than non-Head Start parents.
- In a survey of Head Start graduates' parents, 82 percent reported going to their children's elementary school to meet and talk with their child's teacher.

Head Start increases the self-sufficiency of parents.

- Some 12,000 Head Start parents have received college training for credit through the Head Start program. Over 1,000 Head Start parents have earned A.A. or B.A. degrees.
- One-third of the trainees for Child Development Associate (child care certificate) are parents of current or former Head Start children.
- One-third of all Head Start staff are parents of current or former Head Start students.

What are the Effects of FY 1982 Budget Cuts on Head Start?

Although the Administration labeled Head Start one of its "safety net" programs and adopted the 16 percent increase proposed by the Carter Administration in Head Start's budget, from $820 million in FY 1981 to $950 million in FY 1982, this increase would merely have helped Head Start programs keep pace with inflation but not expand. In September, the Administration shifted from requesting $950 million and recommended that Head Start be cut back 12 percent, to $836 million. Congress included $912 million for Head Start in a stop-gap funding bill for FY 1982. This continuing resolution expires on March 31, allowing the Administration yet another opportunity to reconsider funding levels.

The uncertainty of Head Start's funding level has greatly complicated and undermined local programs' ability to operate. Even if Head Start were at the $950 million level, programs would have to contend with insufficient resources. Funding constraints over the past several years have not only limited Head Start programs' ability to serve eligible children, they have also begun to affect their quality. To cut costs, grantees have had to reduce the number of hours of service per day and the number of weeks per year that programs stay open. Teachers receive extremely low salaries (averaging approximately $7,500 per year). Classroom size has increased, staff-child ratios have decreased, and high transportation costs have excluded many isolated rural families from the program.

Besides cutting Head Start's direct budget, the Administration, through the back door, has punched further holes in this "safety net" program that threaten to undermine the quantity and quality of Head Start's services. This year Head Start will suffer from a range of other program cuts, including:

- The loss of 6,000 workers (or $26.9 million) because of the elimination of the Public Service Employment component of the Comprehensive Employment and Training Act (CETA). These workers serve more than 50,000 children.
- The loss of almost $20 million from the Department of Agriculture's Child Care Food Program.
- The loss of approximately $12.1 million from Title XX social services (now the Social Services Block Grant).
- The effects of callous cuts in AFDC, Medicaid, food stamps, and low income energy assistance on the children and families served by Head Start.

What the Administration is Proposing in FY 1983

Despite its success and "safety net" inclusion, Budget Director Stockman proposed that Head Start be placed in a block grant to be phased in over a four-year period beginning in FY

1983 and funded at $780 million--a cut of 14.5 percent. The President, in response to an appeal by DHHS Secretary Schweiker, has overruled Stockman--a step we applaud as much as we deplore its necessity--proposing that Head Start remain as a categorical program with funding of $912 million in FY 1983. If Head Start is included in a block grant, the unique features that have led to its success--strong national standards, parental involvement, and non-partisan community control--would be destroyed.

CDF's position on Head Start is simple and emphatic. "If it ain't broke, don't fix it." Why the OMB director proposed to tamper with one of the most effective social programs for children and why President Reagan "rewards" Head Start's success by cutting back rather than increasing its funding confounds us. Moreover, the Department of Health and Human Services is tinkering with Head Start's program regulations, threatening to "streamline" them, particularly the highly effective performance standards. These standards are recognized as vital to the effectiveness of the program by the very group that they regulate, the Head Start community, in addition to child care professionals, educators, and advocates.

The National Head Start Association, commenting on DHHS's Head Start strategy paper, said:

> NHSA is opposed to any regulatory changes which would allow programs to provide less comprehensive services than they currently provide. Specifically, regarding the performance standards, we not only think that all the components should remain in place, but also that the scope and depth of each component should not be changed in any substantive manner. The performance standards help assure parents and concerned communities that children receive the services they need.

The Administration is also seeking methods of serving more children with less money. Such plans, if adopted, would erode the quality of Head Start programs already affected by inflation and backdoor budget cuts. For example: DHHS is discussing elim-

inating full-day and full-year programs and parent and child centers that care for children under age 3.

Head Start works because it is a high quality program. Stretching insufficient funds to serve more children is unwise and will save no money in the long run.

CHAPTER 13

CHILD CARE

The Problem

Adequate child care is a pressing need for many American families. The supply of child care lags so far behind need that as many as 6 to 7 million children 13 years old and under, including many preschoolers, may go totally without care while their parents work.

The so-called typical American family--two parents, a male wage earner and a mother who stays home to care for two normal children--describes only one out of every 21 American families today. The majority of America's children are growing up in families where all parents in the home work:

- 42 percent of mothers with children under age three are in the labor force.
- 54 percent of mothers with children between ages three and five are in the labor force.
- By 1990, about half of all preschool children, or about 11.5 million, will have mothers in the labor force, as will about 17.2 million or 60 percent of school-age children.

For many children in one-parent working families, the need for child care is especially critical. Over one-third of these families, most often headed by women, live below the poverty level.

The need for infant care is steadily climbing. At the other end of the spectrum, the lack of after-school programs leaves millions of school-age children as young as six years old waiting up to four hours a day in empty homes or in school yards until parents return from work.

What Federal Programs Exist and Who Benefits?

A dismal picture emerges for low-income children when the expanding need for child care is juxtaposed against severe cutbacks in federally funded child care programs. Most affected by the budget ax are those children living in poor working families or whose parents are in school or training, trying to get the skills to break the cycle of welfare dependency. Major federal child care programs include:

- Title XX of the Social Security Act, which subsidized care in licensed centers and homes for approximately 750,000 low- and moderate-income children at a cost of $650 million in FY 1980. The Omnibus Budget Reconciliation Act of 1981 amended Title XX, reducing funding from $3.1 billion to $2.4 billion and eliminating a special $200 million earmark for child care that was 100 percent federally funded. It also eliminated the requirement that states supply $1 for every $3 in federal money.

- Head Start, primarily a part-day program, offers educational, nutritional, medical, and social services to 372,000 low-income children and their parents. It cost $820 million in FY 1981.

- The Child Care Food Program, enacted in 1975, reimburses child care centers, family day care homes, and after-school and Head Start programs for meals and snacks. It served over 725,000 low- and moderate-income children and cost approximately $351 million in FY 1981.

- The AFDC Child Care Disregard, which compensates AFDC families for their child care expenses up to $160 a month per child. In 1977, it served an estimated 145,000 children at a cost of $75-$100 million.

- The Child Care Tax Credit, originally enacted in 1976, provides a federal income tax credit for taxpayers who require child care for their dependent children in order to work or seek employment. The credit, which represents the single largest federal child care expenditure, is currently claimed by 3.8 million families, mostly middle- and upper-income. The tax credit

cost the federal government approximately $1 billion in 1981. Until passage of the Economic Recovery Tax Act of 1981, the maximum credit was 20 percent of expenses up to $2,000 for one child or $4,000 for two or more children. The Tax Act provides a sliding scale beginning at 30 percent for those earning $10,000 or under a year, leveling out at 20 percent for incomes of $28,000 per year and up. The maximum amount of expenses against which the credit can be taken has been increased to $2,400 for one child and $4,800 for two or more children. Because the credit is not refundable, people whose incomes are too low to owe any income tax cannot benefit from these expanded credit provisions.

What Impact Will the FY 1982 Cuts Have?

An estimated 150,000 families will lose Title XX funded child care services. Parents trying to work and get off welfare will be undermined as children living in poor working families will be the first excluded from Title XX services.

Previously, eligibility for free Title XX services was restricted to families with incomes of less than 80 percent of the state's median income, with some partial subsidies for families up to 115 percent of the state's median income. Many states have responded to reduced federal social services dollars by lowering the income eligibility criteria for child care:

- Pennsylvania has changed eligibility criteria so that families with incomes over 90 percent of the state median income cannot enroll their children in state-supported child care programs even if they agree to pay the full fee.
- In Washington state, working families earning above 38 percent of the state median income ($773 a month for a family of four) are no longer eligible for subsidized child care.
- Rochester and Syracuse, New York, will no longer provide child care subsidies to new income-eligible families. In Albany, parents earning $8,000 a year must pay $16 a week (or $800 a year) for child care. One Albany single mother who is losing the child care subsidies

for her two children asked: "Why are they doing it to day care centers, I don't understand. They've helped a lot of single working parents."

- One-third of the 300 families who received Title XX reimbursement in centers connected to Central Child Care of West Virginia are no longer eligible because of stiffened eligibility guidelines. To remain eligible for subsidized child care, many desperate parents have asked for reductions in already minimal salaries.

Many working mothers will have to uproot their children and search for cheaper, less desirable care. Many states will make less money available to monitor or maintain minimal child care standards. As a result, children will suffer as parents shift them from stable and familiar arrangements to less adequate and sometimes even harmful arrangements:

- One New York mother has arranged to have her child's grandmother, who works a night shift, to care for the child during the day.
- Reports come from child care providers in Des Moines, Buffalo, and other cities of increasing numbers of latchkey children without after school care.

Because of decreased funding, many child care providers may find it impossible to maintain their programs unless they can attract and charge higher fees to middle-income families. When hard-pressed middle-income families find the increased costs too burdensome, more centers may be forced out of business because of the decreased demand for services. Among the cutbacks that will increase pressure on child care providers and parents, in addition to those already described, are those in the following programs:

Child Care Food Program. Reductions of 30 percent in the Child Care Food Program will lead to increased child care fees for poor parents, to a decrease in the number of children covered by child care services, or both.

AFDC. Child care deductions for working mothers on welfare have been limited to $160 per child per month. AFDC workfare programs may divert child care resources away from AFDC and other

low-income mothers already working who need publicly supported child care to continue working. If states try to spread their resources thinner to meet the additional demand for child care that work programs create, it could result in child care of dubious quality, given by untrained, poorly paid providers. For example:

- In Massachusetts, the Department of Social Services has eliminated one-third of its preschool child care slots and replaced them with slots for school-age children. Priority for these new school-age slots will go to mothers on welfare who are enrolled in a WIN work demonstration project (another work program under AFDC) and to mothers who have lost their welfare benefits entirely. The state has given the lowest priority to children of AFDC recipients who work, go to school, or are looking for work. Meanwhile, the Welfare Department, which runs the WIN demonstration project, has issued a letter stating that replacements for the preschool slots should be 55-cents-an-hour babysitters paid for by the Department of Social Services. This low rate will make it extremely difficult to find adequate quality child care. Further, the Welfare Department has stated that it plans to use many of the women who participate in the WIN work project to provide home-based family child care, but has not released plans to train these women or to supply them with the support child care providers need.

CETA. Elimination of the Public Service Employment component of CETA has caused thousands of child care programs to lose child care workers, secretaries, and bookkeepers, which they are hard pressed to replace.

Child Care Tax Credit. While Congress cut direct child care subsidies for lower income families, it simultaneously helped middle- and upper-income families by increasing the benefits available through the Child Care Tax Credit by raising the maximum amount of expenses against which the credit can be taken. In an attempt to provide additional benefits to working families, Congress created a sliding scale. Although we support the in-

creased credit, we were disappointed that it was not made refundable so that parents whose incomes are too low to owe any income tax could benefit from the new expanded credit provisions.

Many low- and moderate-income working families ironically may realize little benefit from the new tax credit provisions. Those who lose Title XX funded child care will not be able to make up the difference through the tax credit, which at 30 percent provides a maximum benefit of only $720 a year for one child and $1,440 for two or more children. In contrast, the cost of full-time preschool child care at $1 an hour is at least $2,000 a year.

These same families face reductions or the complete loss of child care food and school lunch subsidies. It is unlikely that the sliding scale will allow working families to purchase improved child care for their children. In fact, other cuts may limit their disposable income so that they may be forced to turn to cheaper child care options. Consider the benefits of the Child Care Tax Credit to lower-income working families juxtaposed against increases in school meal costs (assuming that increased charges for the child care food benefits will be reflected in higher fees to parents):

- A two-parent family with two children has a total income of $16,100 per year. The father earns $4.70 per hour, the mother $3.35. One child is in elementary school, the other is in a half-day kindergarten. This family pays $20 a week for day care for the younger child during the school year, and $40 per child a week during the summer, for a total of $1,840. Their total benefits from the Child Care Tax Credit will be $478.40, $110.40 more than under the old 20 percent credit. This family has lost eligibility for reduced-price lunches in school and in the day care center. They now pay 85 cents per lunch per child, compared to 20 cents last year. Their additional costs for lunches for their children are $334 for a year. Their net additional costs come to $223.60 for the year.

- A single mother with three children has a total income of $11,200 per year ($5.60 per hour). Two of the children are in elementary school, one is a preschooler in full-day day care. This family has lost its eligibility for free lunches for the children; the mother now has to pay 40 cents per child per lunch, or $300 more per year. She pays $40 per week for day care for the youngest child, and the same amount for each of the older children during the summer, for a total of $3,120 per year. Her Child Care Tax Credit is $905.80, $281.80 more than under the old (20 percent) credit. Her net additional cost is $18.20 because of the increase in lunch prices.

Clearly, unless amendments to the Tax Credit in FY 1983 are made to allow for refundability and to expand the sliding scale to begin at 50 percent for incomes $10,000 and under, poor working families will continue to find no pea under the Reagan Administration child care shell game.

Even with refundability, however, child care expenses represent an out-of-pocket expense for families with little flexibility regarding their cash flow. A targeted amount of money to directly subsidize child care for these families is also needed. This could be accomplished by adding a mandated child care earmark to the Title XX Social Services Block Grant. Such a provision would not involve drafting child care legislation but would guarantee that dollars, as in the past, are protected for direct services in child care.

The Proposed FY 1983 Budget Cuts

The child care dilemma created for poor and working families by the FY 1982 budget cuts and legislative changes will grow even more serious if the Administration's budget proposals for FY 1983 become a reality. An 18 percent cut in the Title XX Social Services Block Grant (from $2.4 billion to $1.974 billion) will mean that about 100,000 additional families will lose child care services. The Child Nutrition Block Grant, merging the

Child Care Food Program with School Breakfast and reducing funds by over one-third, will mean even less support for quality child care programs. Competition will be keen at the state level for diminished funds. School food service providers represent a far stronger constituency than the child care community. The result will be that some child care providers will be forced out of business because of this further round of cuts and those that remain may offer lower quality services. An additional $1.2 billion cut in AFDC will diminish more low-income families' access to child care. Finally, proposals to eliminate the Appalachian Regional Commission and the Work Incentive Program will further limit child care opportunities for working lower-income families.

CHAPTER 14

TITLE I COMPENSATORY EDUCATION

What Is Title I?

First enacted in 1965, Title I of the Elementary and Secondary Education Act, amended by Chapter I of the Education Consolidation and Improvement Act of 1981, was designed to provide remedial and compensatory instruction in reading and mathematics for educationally disadvantaged children living in low-income areas. During the 1980-81 school year, approximately 5.4 million students, preschool through grade twelve, received Title I services. About 4.2 million, or 78 percent, of these children received services in reading; 46 percent received services in math.

All recent evaluations have found that children receiving Title I services improved their reading or mathematics scores significantly over those children in need but not served by Title I. A national evaluation of education programs recently completed by the U.S. Department of Education found that Title I reading students gained 10 to 17 percent more than similar non-Title I students in grades one through three. In math, Title I students gained from 9 to 74 percent more than similar non-Title I students in grades one through six.

Because of lack of full funding, only 45 percent of the eligible children are participating in the program during the 1981-82 school year. They are concentrated in the lower grades of elementary schools; fewer than 20 percent of the participating children are at the junior and senior high school levels.

The budget cuts proposed by the Administration for school year 1982-83 will eliminate about one million needy children from the Title I program. The proposed budget cuts for FY 1983 will be even more devastating, reducing the number of children served by 50 percent.

The FY 1982 Budget Cuts

Although thwarted by Congress in their attempt to eliminate the Title I program entirely and fold it back into a block grant, the Reagan Administration did succeed in eliminating parental involvement by wiping out Parent Advisory Councils, removing most program accountability regulations, and substantially curbing the basic financial support for the program. With passage of the Omnibus Budget Reconciliation Act of 1981, Title I was repealed and replaced with a vastly weaker federal compensatory education program: Chapter I of the Education Consolidation and Improvement Act. Chapter I does, however, retain targeting on low-income school districts, requires that federal funds continue to "supplement" rather than "supplant" state and local funds, and, most importantly, requires that poor children most in need of compensatory education services continue to be served.

Although the Reconciliation Act authorized Chapter I at $3.48 billion, and the Continuing Resolution passed by Congress (for funding through March 31, 1982) would appropriate $2.8 billion for the Chapter I program, the Reagan Administration will support only $2.48 billion for the final Continuing Resolution for FY 1982 -- some $1 billion less than envisioned in the authorization and nearly $800 million less than FY 1981 expenditures.

Because Chapter I and most other education programs are forward funded, they are especially vulnerable to budget cutting. Reductions in spending not achieved through the regular budget

or appropriations processes can be achieved through the rescission process before any money can be allocated for the following school year.*

The Administration's FY 1983 Proposals

Apparently in an attempt not to antagonize the President's Congressional supporters by proposing once again that Chapter I be repealed, block granted, or transferred to the states, the Reagan Administration plans to phase out the program instead through draconian budget cuts.

For FY 1983, the Administration has requested only $1.9 billion for Chapter I (Title I), a 40 percent cut from the existing appropriation for FY 1981 and a 50 percent cut from the current services level determined by the Congressional Budget Office. Even this level could be subjected to additional budget cuts in a FY 1983 rescission bill before any schools can spend the funds. If the Reagan Administration succeeds in this effort, some 2.5 million needy children will be eliminated from the Title I program in the 1983-84 school year, half of those served in the 1981-82 school year, and some 100,000 teachers and classroom aides will lose their jobs.

It is uncertain whether any Title I program at all would survive after FY 1983. The Administration wants to abolish the Department of Education and replace it with a "Foundation for Education Assistance" which would administer block grants and conduct some educational research. Early drafts of the education foundation proposal state that aid for compensatory education (Title I) will be continued for an interim period only until the programs are turned back or devolved to the states.

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* For example, FY 1982 funds are not obligated to school districts until July 1, 1982, for use in the 1982-83 school year.

CHAPTER 15

EDUCATION OF THE HANDICAPPED -- P.L. 94-142

The Problem

Although major progress has been made in the last 8 years to provide an education to handicapped children and get them on the road to self-sufficiency, no other Federal education program has received such harsh criticism from the Reagan Administration as the Education for All Handicapped Children Act, Public Law 94-142. That is because P.L. 94-142 requires the Federal government to actively protect the education rights of handicapped children. The law requires that as a condition for receipt of federal funds, participating states must ensure every handicapped child a free, appropriate public education in the most normal setting possible, with an educational program individually developed with parental consent and participation. States are not required to participate in this program, but all but New Mexico do. As a result, approximately 4 million children currently receive special education and related services under the program.

P.L. 94-142 is "pro-family" because it promotes educating handicapped children in their own school districts and provides important opportunities for parent involvement. It was enacted by the Congress only after years of testimony that detailed the neglect and exclusion of handicapped children as a result of local and state school policies. Before enactment of P.L. 94-142 in 1975, states and the District of Columbia had statutory exemptions in their compulsory school attendance laws for

children who were physically, mentally, or emotionally handicapped or who "could not profit from an education." One state, Mississippi, had no compulsory attendance law at all. Congress found that more than one million handicapped children were excluded from school entirely, and that less than half of all children identified as handicapped were receiving adequate and appropriate educational services.

In 1981, the General Accounting Office found that many local educational agencies still have not made a free appropriate public education available to all their handicapped children and probably will not do so until the mid-1980s. Insufficient local and state funds for special education were the most frequent reasons given for being out of compliance with P.L. 94-142. Over half of all local educational agencies also indicated they were unhappy with the technical assistance received from state education agencies.

The vast majority of state and local practices cited by the Administration as problems with the law are really inappropriate, uncreative local bureaucratic responses not mandated by the federal law. Lack of coordination among state agencies also contributes to local implementation problems. These are state problems demanding state and local solutions. What is more, participation in P.L. 94-142, as with all federal grant-in-aid programs, is voluntary for the states.

The Administration's Proposals

The Administration tried to repeal P.L. 94-142 in the 1981 session of Congress and fold its funding into a block grant. Widespread pressure from parents of handicapped children and congressional resistance prevented this effort.

Now, the Administration proposes a FY 1982 rescission that would cut 31 percent of P.L. 94-142's state grant funds for the 1982-83 school year, from $969 million originally appropriated

in FY 1982 to $672 million. In addition, for FY 1983 the Administration proposes to block grant the program with Preschool Incentive Grants and the Title I Program for Institutionalized Handicapped Children (P.L. 89-313). The combined funding for these three programs would also be significantly reduced, from $1.1 billion in FY 1982 to $772 million in FY 1983.

The details of the block grant's substantive provisions have not yet been made public. However, last year they included repeal of P.L. 94-142. Even if the law is not technically repealed in this year's block grant, the Administration has already indicated its desire to amend it substantially. This is clear from the Department of Education's draft changes in the P.L. 94-142 regulations. These proposals curtail parental involvement, limit services, retreat from integration, eliminate procedural safeguards, and make it harder to hold state and local government accountable for the use of funds. The regulation proposals emphasize that the Department would like to cut back even further, but is hampered by the existing statute.

The Administration has also proposed to consolidate ten special-purpose programs into a single fund. Among the programs to be included are deaf-blind centers, projects for the severely handicapped, early childhood projects, and training for special education teachers. Funding would be cut by 16 percent from FY 1982.

Last year, in response to the Reagan Administration's proposed block grant, at least thirteen states began to repeal or substantially dilute their laws ensuring handicapped children an adequate educational opportunity. In addition, state education departments are changing policies in violation of P.L. 94-142 in reliance on the new federal laissez-faire approach to enforcement. For example, the Illinois Department of Education has proposed to its Board that it cease integration of handicapped children.

Thus, the net result of the budget cuts and change in federal law and enforcement will be a return to the practices of the past: exclusion, segregation and warehouse programs for handicapped children.

CHAPTER 16

EMPLOYMENT

The Problem

Nothing is more important to family stability than jobs. And one of the most striking features of the recent State of the Union message was its failure to propose anything that would put people back to work in the immediate future. Indeed, the FY 1983 Reagan budget goes in the other direction, on top of disproportionately deep cuts already made in programs in FY 1982.

Roughly speaking, there are two kinds of unemployed--those who are out of work due to the current recession and those who can not find a job or do not have the needed skills. This Administration is no friend of either group. Unemployed auto workers in Michigan and Ohio are as much the victim of what has happened as are Black teenagers in Watts and Hispanic young people in East Harlem.

In just one year, President Reagan reduced the funding for the Comprehensive Employment and Training Act (CETA) programs by over 50 percent, from a level of approximately $7.5 billion in FY 1981 to just over $3.1 billion in FY 1982, and made a variety of other cuts that reduce benefits for people out of work for over six months and drastically curtail help in finding another job. Just as important, the Administration is moving toward complete abdication of all federal responsibility for the employment and training of the disadvantaged.

These policies ignore the social and human costs of joblessness, as well as the actual costs to the federal budget. Each percentage point rise in unemployment costs the federal treasury

$25 to $30 billion in increased payments for welfare, food stamps, and other programs and in decreased tax revenues.

Employment Cuts in FY 1982

In the past year, the Reagan Administration:

- eliminated 80 percent of the funding for the Youth Employment Demonstration Projects Act (YEDPA) programs; eliminated Title VIII of CETA (the Young Adult Conservation Corps); and cut 20 percent from the Summer Youth Employment Program;
- completely eliminated the Public Service Employment (PSE) program, which in 1981 funded 310,000 jobs that helped over 500,000 people. The PSE program provided job experience and skills training to the long-term unemployed, many of whom added much-needed help to programs for the elderly, the handicapped, child care centers, and local schools; and
- reduced by 64 percent the funding of CETA Title III programs, which provided special placement help for displaced homemakers, the elderly, migrants, and welfare recipients.

Nor is the FY 1982 story over. First, the Continuing Resolution passed in late 1981 allows cuts in any particular program of up to 6 percent below the levels set by the Senate Appropriations Committee while mandating an average cut of 4 percent in each over-all account. (The Senate levels were already substantially lower than those contained in the Omnibus Budget Reconciliation Act.) Second, the Continuing Resolution runs out March 31, 1982. Legislation will be necessary to provide funds for the remainder of FY 1982. Further cuts will undoubtedly be proposed. Third, even after that, rescissions may be proposed in FY 1982 funding.

Major changes have been made in AFDC that will severely hurt people who want to work and become economically independent. This Administration preaches self-reliance, but its

actions are promoting dependency. It has created new, powerful incentives for people to be on welfare instead of trying to work. Low wage workers who had partial welfare assistance will now find it pays to be on welfare totally, which will cost taxpayers more rather than less.

The system previously took into account the costs of working--transit, lunch, clothing, and so on--when reducing benefits of a recipient who went to work, and in addition reduced benefits gradually, to assure that working would always be more profitable than staying home. This has now been virtually eliminated. It is bad public policy and ultimately will not even be cost effective.

In the face of the recession--depression in some hard-hit states--extended benefits for people unemployed for over six months have been severely curtailed. With the new changes, there is no national "trigger" for extended benefits, and it is now very difficult for individual state "triggers" to go on, thereby virtually eliminating the extended benefits program across the country. Specific changes in extended benefits were:

- national trigger for extended benefits eliminated;
- state trigger for extended benefits increased a full percentage point;
- 20 weeks to work during the base period (or its equivalent in wages or hours) required to qualify for extended benefits;
- "insured unemployment rate" redefined to exclude extended benefit recipients from the calculation; and
- UI benefits for persons who voluntarily leave military service eliminated.

FY 1983 Proposals

Deeper funding cuts, as well as more dismantling of program structure, have been proposed in the new budget:

- Employment and training. Funding for FY 1983 has been reduced further, to $2.4 billion; this

is linked to the Administration's proposal to replace the current CETA program. (This proposal is still in draft form and may not be introduced in Congress until later in the spring, but it is outlined below.) The Administration proposes to eliminate the Summer Youth Employment Program, the only source of jobs for poor youths during the summer months. FY 1982 funding for this program is $674 million.

- Unemployment benefits. The Administration is proposing several changes, including increased taxing of unemployment benefits, the imposition of a "suitable work" standard on regular unemployment benefits (which would force a recipient to accept the first job offer made, even if it is a minimum-wage, dead-end job), and other benefit cuts for allocations for administration, to "eliminate fraud", etc.
- AFDC work requirements. The Administration is proposing that states be mandated to adopt workfare programs, rather than the current optional status of such programs. All non-exempt recipients would have to work without wages in public service jobs as a condition of receiving the welfare benefit. The Administration is also proposing to eliminate the Work Incentive (WIN) program, which provides job training for AFDC recipients.

The Administration's Proposal to Replace CETA

Approximately $1.8 billion of the $2.4 billion in the FY 1983 budget request will go to a not yet fully specified private sector training initiative that will replace CETA. Introduction of a greater private sector role into job training is welcomed, but not on the terms currently being discussed.

In this area, as in dozens of others, the underlying assumption is that everything that was done over the past two decades was wrong. It takes little more than common sense to realize that this is more a statement of ideology than concrete reality. The CETA system has in fact been changed and amended repeatedly as experience was gained; the local agencies that run employment

and training agencies--the "prime sponsors"--reflect nearly two decades of learning.

The Reagan Administration proposes to ignore all this and instead to set up a system that is to be administered primarily at the state level, with direct contracting between the state and private employers at the local level to accomplish training. There would be no federal oversight. The proposed price tag for this effort is wholly unrealistic for the task.

To live within these unrealistic fiscal limits, the program would be limited to those among the poor who are deemed to have the weakest potential for competing for private sector jobs. The reality, of course, is that there are hundreds of thousands of young people in America's inner cities who are out of school and desperately lacking in skills, and who would be consigned by this effort to a lifetime of standing on street corners, or worse.

The Administration's program appears to retreat to a key mistake of the 1960s--that training can be isolated from work experience in creating a productive worker. There would be no payment of stipends or allowances to program participants. Instead, a below-minimum wage is under consideration. The minimum wage at present produces an income ($6,700 per year for full-time work) that is less than the poverty line for a family of four. We think the appropriate approach is for trainees who are not yet fully productive to be paid a "sheltered" wage temporarily, until they can deliver a full day's work for a day's pay.

CHAPTER 17

LOW-INCOME HOUSING

Federally Assisted Housing

The public housing program, begun in 1937, and the Section 8 program, begun in 1974, are the two major sources of housing assistance for low- and moderate-income households. These two programs provide long-term financing: 15 years for existing housing and up to 30 years for new housing and substantial rehabilitation. In addition, Section 8 pays for heat, utilities, taxes, maintenance, insurance, and management costs. By the end of FY 1980, an estimated 3.3 million housing units were receiving HUD assistance.

Who is Served by Federal Housing Programs?

Over two-thirds of the families living in subsidized housing are either elderly or one-parent households: 34.5 percent one-parent, 34.3 percent elderly. Almost one-third of all low-income one-parent families and one-third of all low-income black renter families live in federally assisted housing, primarily public housing.

There are at least five times as many families eligible for subsidized housing as there are units available, however. These families live in substandard housing or are paying far more for housing than they can afford. In 1976, for example, one-fifth of all households could not afford decent housing; in 1977, 5.8

million households paid over half their incomes for shelter.

The Effects of the FY 1982 Budget Cuts

In FY 1982, the Reagan Administration successfully increased the rents paid by tenants in publicly assisted housing and reduced the operating subsidies for subsidized housing.

The Department of Housing and Urban Development (HUD) acted administratively to increase rents for all households with incomes over 50 percent of the median to 30 percent of income (from 25 percent of income). Congress adopted a general increase in rents from 25 percent of income to 30 percent, to be phased in over five years. Many of the "income disregards" that were deducted from income to determine rent were eliminated: previously tenants could deduct child care expenses and heavy medical expenses. These expenditures cannot now be deducted from income, which means that tenants will be required to pay a higher percentage of their gross incomes in rent. Changes in the AFDC law permit states to exclude the value of housing subsidies from AFDC grants. AFDC families will nevertheless be required to pay up to 30 percent of their cash incomes for rent.

Operating subsidies for public housing cover the gap between tenant rents and the cost of operating the projects. These subsidies have never been adequate to cover costs. The FY 1982 operating subsidies came to only 80 percent of costs.

The Administration also cut the number of new subsidized housing units to 140,000 (from 260,000 units). Public housing is being cut by 40 percent, Section 8 by 31 percent. The Administration is further proposing to rescind $9.4 billion in FY 1982 from programs for assisted housing.

The Administration's FY 1983 Budget Proposals

The Reagan Administration is proposing to reduce total con-

struction of subsidized housing, both new units and rehabilitation of existing units, from 220,000 units to 122,000 units, a 48 percent decrease. Budget authority for Section 8 and public housing will be cut from $16.9 billion in FY 1982 to $6.1 billion in FY 1983, a 64 percent reduction. Some $9.9 billion in obligations for construction will be cancelled in FY 1982. There is virtually no money for new construction in the budget.

The Administration is proposing further "adjustments" to tenant rents. Congress will be asked to enact legislation that would permit counting the value of food stamps in determining tenant income. This will hit the lowest-income families hardest, particularly AFDC families in states with low AFDC grants. In Mississippi, for example, an AFDC mother with two children would be left with $8 per month after spending 30 percent of her combined cash and food stamps for rent.

Operating subsidies for public housing will be reduced under the FY 1983 budget by 13 percent. Without considering the effects of inflation on the cost of maintaining this housing, such a cut will mean that operating subsidies will meet only two-thirds of costs. Many projects will simply close; services and maintenance in the remaining projects will be curtailed. The Administration estimates that some 5,000 low-income households will be displaced because of the demolition of public housing units.

The Administration is also proposing housing vouchers for low-income families that will average $2,000 per family per year (compared to $3,600 per family per year at present). Families will be forced to "shop" for housing.

CHAPTER 18

LOW-INCOME ENERGY ASSISTANCE PROGRAM

The Problem

The Low-Income Energy Assistance Program was established to help low-income households offset the huge increase in home energy costs resulting from actions taken by OPEC and by the federal government to decontrol the price of oil. Since 1973, fuel oil prices have increased over sixfold; natural gas prices have more than quadrupled; and the costs of electricity have tripled. These costs are expected to climb ever higher. As a result, more and more low-income households simply cannot afford to pay their utility bills, and many are literally running the day-to-day risk of "heat or eat."

At the time Congress voted to decontrol the price of oil, it was widely recognized that something would have to be done to help the poor compensate for the almost overnight upsurge in price. The Congress appropriated $1.6 billion for FY 1980. The conference report on the Windfall Profits Tax Act (1980) recommended that one-fourth of anticipated tax revenues and one-third of all tax receipts (greater than anticipated) be used for energy assistance to low-income households. This would have provided over $3 billion in FY 1981 and more than $4 billion in FY 1982. Instead, the program received an appropriation of only $1.85 billion in FY 1981 and was decreased to $1.75 billion in FY 1982--at a time when energy costs continued to increase, the unemployment rate had risen sharply, and much of the country faced record-breaking winter weather. Between 1977 and 1980, it

is estimated that the energy bills of low-income households increased by $5 billion a year.

The average American household pays about 5 percent of its income for home energy. Low-income households, however, pay about five times as much--about 25 percent of their total income--for home energy. Home energy costs use up over 30 percent of the total income for the average low-income elderly household. Energy bills are worse in winter months, often using up 20 and even 100 percent of monthly income in cold weather states.

Who Receives Low-Income Energy Assistance?

The law allows assistance for those households with incomes at or below 150 percent of the poverty level. Because it is not an entitlement program, states are allowed to establish lower levels. Many have set 125 percent of poverty as their eligibility standard. According to the Census Bureau, in March 1981 there were over 40 million persons with incomes below 125 percent of poverty. This number has grcwn by 6.5 million, or nearly 20 percent, since 1978. The number of elderly in this category has increased by more than 1 million and the number of children by 2 million. The elderly and the very young are at risk of death from hypothermia if they cannot stay warm. Data from past programs indicate that nearly 40 percent of the 7.5 to 8.5 million households served by the program are elderly.

Low-income households generally cannot conserve further without endangering life or health. These households already consume less energy than the average U.S. household. The only other way to cut consumption is through investment in weatherization/conservation measures. But low-income households generally live in poorer housing stock; when they cannot pay their fuel/utility bills, there is no way for them to invest in conservation --no matter how cost-effective it may be. With steadily rising

energy costs and diminished energy assistance funding, these poor and elderly households and those with young children face deteriorating and frightening options.

Program data show that a large percentage of households receiving energy assistance have incomes below $4,000 and many even under $2,000. Yet average energy costs exceed $1,000 per year for low-income households (using the "most-used" fuel) in 21 states; in no state is the average less than $500.

Changes in the Energy Assistance Program in FY 1982

The scope of existing programs is modest, in view of both documented need and the conference report on the Windfall Profits Tax Act. A study done by the Grier Partnership found that, if low-income households were to pay no more than 10 percent of their income for home energy (twice the amount paid by the average household), the subsidy required in FY 1982 would be $4.4 billion. The Administration last year proposed a funding level of only $1.4 billion in the form of a consolidated block grant that would have provided no targeting, priorities, or accountability--the importance of which cannot be overestimated when resources are quite limited and the need is so great. Although Congress rejected this proposal, the program was modified substantially and the funding level was cut back by $100 million, lowering already minimal benefit levels. States are now faced with the option of cutting recipients or cutting benefit levels.

If three-fourths of low-income households applied for the program, the average benefit level would be $145 (based upon the $1.75 billion appropriation). That figure does not take into account administrative costs (up to 10 percent), or the fact that states can put up to 15 percent into weatherization measures and have the option to transfer 10 percent into another block grant. Should a state take those options, and some are, that would leave an average benefit level of under $95. This is a drop in the

bucket when compared to the heating prices faced by the poor. Estimates from the Congressional Budget Office show the actual value of assistance provided, after adjusting for inflation, falling by over 20 percent this year, by 26 percent in FY 1983, and by 35 percent in FY 1984. At the same time, the Administration is encouraging higher energy prices, believing that is the only way to achieve conservation. The poor, who clearly cannot deal with the market prices, are faced instead with tens of thousands of utility terminations and harsh survival questions. Numerous reports of emergency situations are occurring, aggravated by the severe winter weather.

Because the Administration has essentially abandoned this program to state discretion, with scant reporting requirements, there will be little information available about who has been served, about questions of equity, or about the portion of energy costs covered.

Administration Budget Proposals for FY 1983

The Administration has proposed only $1.3 billion to help keep the poor warm in FY 1983. Furthermore, as the Administration supports accelerated deregulation of natural gas, utilities have indicated that gas bills would at least double. (Indeed, gas bills have been increasing steadily under the phased decontrol in the Natural Gas Policy Act.) The 60 percent of low-income households heated with natural gas will find themselves in a sad situation.

These cutbacks in energy assistance are all the more cruel when viewed in the context of other across-the-board cuts in assistance to the poor. Indeed, the Administration is proposing, in the context of other Administration proposals, to count energy assistance as income in determining eligibility and benefit levels for both food stamps and AFDC. Congress has prohibited this by statute in the past. The Administration proposals would

have the effect of cutting a family's AFDC benefits dollar for dollar for all energy assistance received--which would have the effect of simply terminating badly needed energy assistance for AFDC families. The primary recipients of AFDC are children.

Food stamp benefits would be cut by $3.50 to $5.00 for every $10 of energy assistance received. This assures that low-income people will receive neither an adequate diet nor adequate energy and that the choice of "heat or eat" will be an ever-present danger for millions of poor people, particularly poor children. Deregulation of natural gas will cause food prices to increase at a faster rate because gas is used so heavily in agriculture and processing industries, and the spiral of misery will spread.

The Administration assumes that low-income families should pay 35 percent of their income for food, 30 percent for housing, and evidently 25 percent for home energy before receiving any help--which adds up to 90 percent of their income.

At the same time, unprecedented profits have been rolled up by the oil and gas industries, with tens of billions of dollars on the horizon if gas deregulation is accelerated. Included in last year's tax bill was a tax cut for oil companies that will decrease the Windfall Profits Tax receipts by $12 billion--a sum that would go a long way toward providing energy cost relief for the poor and funding weatherization/conservation investments to provide lasting energy savings rather than moving from one crisis to the next.

CHAPTER 19

RUNAWAY AND HOMELESS YOUTH

The Problem

Every year, between 1½ and 2 million of the nation's youth leave their homes during a time of trouble, becoming "runaways." Most of these young people are teenagers, with an average age of 15, although police and social service agencies regularly encounter children as young as 8 years of age "on the streets."

National government and media attention focused on these youngsters in the wake of the "flower child" migrations of the 1960s and early 1970s. At that time it appeared that most runaways were away from home briefly, typically after a relatively minor family dispute. These interstate runaways were drawn from rural and suburban areas to the youth "magnets" such as San Francisco's Haight-Ashbury and Boston's Cambridge Square. However, with changing economic and social conditions this picture has faded and increasingly been replaced by growing signs of severe personal and family disruptions. For example, one District of Columbia study estimated that seven out of ten young prostitutes were runaways. Increasing family turmoil is illustrated by recent data showing that, of the young seen in federally funded runaway centers, 30 percent were ejected from their homes, 30 percent reported incidents of abuse or incest, and 25 percent reported family disruptions not involving the youth (i.e., parental alcoholism, unemployment, or marital disputes). Rather than federal policies to meet these

changing conditions, federal responses are moving in the opposite direction.

The Federal Response

Prior to federal attempts to address the problem of runaway youth, local responses to youth away from home were comprised of: a few 8-5 counseling centers; a few struggling grassroots temporary shelters; and law enforcement/juvenile court detention efforts resulting in family crises being "resolved" through youth detention.

In 1974, the Runaway Youth Act was enacted to provide federal support to locally operated runaway youth and family crisis counseling and shelter programs. In 1980, Congress responded to the increasing incidence of throwaway and neglected adolescents by re-enacting the program as the Runaway and Homeless Youth Act (RHYA). By FY 1981 the Department of Health and Human Services' Youth Development Bureau was providing assistance at the moment of greatest risk and crisis to nearly 180,000 young people away from home each year through grants made to nearly 200 local programs. Active outreach by these crisis service programs brought most of these youth back into contact with their families, with nearly two-thirds of their parents becoming involved in supportive counseling services and 73 percent returning to their homes.

The benefits of the RHYA supported National Runaway Program have become increasingly clear:

- Family crises have been addressed with support and assistance rather than with detention and legal intervention.
- Dramatic cost savings have occurred. A single temporary shelter bed in a small, non-secure community program typically costs less than half that of a bed space in a county/state detention facility, which can cost upwards of $25,000 a year to maintain.

- Relief has been provided to over-extended judicial and law enforcement agencies facing serious challenges to improve their responses to the nation's criminal populations.

The National Runaway Program has been extensively evaluated. Consistently, the results of this careful scrutiny have documented the benefits described above. Among others, the GAO, an independent evaluator, and congressional oversight hearings have reviewed local program efforts with positive results.

What Happened in the FY 1982 Budget?

Despite the bi-partisan support the RHYA has enjoyed in the Congress, the documented effectiveness and cost benefits of the program, and the undeniable evidence of increasingly troubled youth and families, the RHYA has received limited and insufficient appropriations for the past several years. In FY 1980 and again in FY 1981, $11 million was appropriated to maintain this critical strand of the social safety net, one of the only federal social supports designed specifically for adolescents.

Then, for FY 1982, the Reagan Administration proposed cancelling the legislation and including the program in the Social Services Block Grant, leaving concern for this population of runaway youth and their parents to the discretion of unprepared and deficit-ridden state governments. The FY 1982 struggle ended without inclusion of the RHYA in the block grant, and the current FY 1982 Continuing Resolution maintains the program at $11 million for an additional year. However, this still low appropriation level has been accompanied by reductions in federal personnel that have eliminated the special assistants for youth affairs in the regional offices of the Department of Health and Human Services. Without this regional administrative structure, effective monitoring of program operations, implementation of programmatic standards, and support for state and local runaway services improvements cannot occur.

What is Proposed for FY 1983?

The Reagan Administration proposes to reduce funding for the National Runaway Youth Program to $7 million in FY 1983, an alarming 36 percent below its current $11 million funding level. Further, the Runaway Youth Program is proposed to be turned over to the states as part of the "new federalism" initiative in FY 1984, if the Reagan Administration's efforts are successful.

Continuing proposals to turn this program over to state governments ignore the obvious: in all but a very few states, legislatures have shown themselves unwilling to provide legislative authority and state funds to support crisis services to youth. Thus, if this small but vital youth crisis program is not to be lost, existing federal programming standards for community-based runaway and homeless youth services must be strengthened and a fiscal commitment to the program maintained.

CHAPTER 20

JUVENILE JUSTICE AND DELINQUENCY PREVENTION

The Issue

The Juvenile Justice and Delinquency Prevention Act (JJDPA), enacted in 1974, has resulted in major changes and improvements in the juvenile justice system throughout the states.

When the law was enacted, far too many states were unnecessarily keeping children accused of "status offenses" -- primarily running away from home and truancy, acts that would not have been crimes if they were adults -- in locked settings while awaiting court action, and unnecessarily sending them for "treatment" at large, distant institutional settings where they were often mixed with delinquents -- youngsters who had committed robbery or burglary or other criminal acts. Nor were policies any more sensible for delinquents. Minor offenders were sometimes penalized more seriously than murderers, and too few young people with any of the above labels received the educational and other skills they needed.

The past seven years have seen measurable progress. The federal law made it a condition of receiving funds that states move toward removing non-delinquent youth from locked facilities and removing delinquent youth from adult jails and lock-ups. Its funds have encouraged a broad array of improvements in services as well as changes in legal structures.

The agenda is far from completed. Progress has been made in removing status offenders from locked facilities and in separating

delinquent youth from adult criminals, but such issues are only the tip of the iceberg in improving services for these juveniles.

What Happened in FY 1982?

When President Reagan took office the JJDPA was funded at slightly over $100 million, already a decrease from previous years when Law Enforcement Assistance Administration (LEAA) funding has been available as well.

Yet President Reagan began his administration by calling for the elimination of the JJDPA and cancellation of any funding for the juvenile justice program. The Administration proposed instead that juvenile justice activities be folded into the Social Services Block Grant, removing all federal standards while reducing total funding by 25 percent with no requirement that any of the funds be spent on juvenile justice. Congress disagreed, seeing the JJDPA as an effective response to delinquency. It retained the Act. However, funding for the program was cut back to $70 million in the current Continuing Resolution, and even then the Administration attempted, again unsuccessfully, to defer funding of the program.

What is Proposed for FY 1983?

The Reagan Administration has again proposed zero funding for the JJDPA for FY 1983 and remains firmly opposed to retention of the Act.

Reading the signs of federal retreat from the goals of the JJDPA, some states also are beginning to move away from their earlier commitments. In several states, legislative proposals are being formulated that would again allow for the incarceration of youngsters who have committed not crimes, but status offenses, such as running away and curfew violations. As the federal government threatens to abdicate its prior leadership in the area of justice for juveniles and the prevention of delinquency, the potential impact is becoming clear. We are likely to see

a rapid and expensive reversal of deinstitutionalization efforts on behalf of these troubled youth. The substantial decrease in the number of non-delinquent youth detained in locked facilities from 200,000 in 1974 to 35,000 in 1982 will begin to reverse itself. And, ironically, the recent change in the focus of federal efforts to place more emphasis on responding to violent juvenile offenders will be lost as well.

CHAPTER 21

LEGAL SERVICES, S. 807, AND ADMINISTRATIVE DISMANTLING OF EXISTING LAWS

Statement of the Problem

It is not enough to seek legislation that provides funds for child welfare services for children and their families or guarantees handicapped children the right to education or mandates preventive health care for poor children. That legislation must be translated into reality. Too often, poor children and their families are denied public benefits or rights to which they are entitled by law because they are unaware of their rights and lack access to information and to lawyers to help them obtain those rights. Public agencies are seldom self-policing. Legal Services lawyers, who provide free legal assistance to poor children and their families, are often children's advocates of last resort. Yet the Legal Services Corporation, which provides free legal services to the poor through neighborhood law offices, is threatened with extinction.

Ensuring children's rights already guaranteed by law and meeting their needs are further threatened by the Administration's campaign for procedural "simplifications" that erase accountability and make it impossible to ensure equal opportunity. The Reagan Administration talks about the need to make government "simpler" -- to deregulate or to combine benefit programs into block grants that offer states complete discretion about how to spend federal money. Sometimes "simplification" can help children and improve administration by cutting through red tape

and targeting resources where the needs are. But sometimes simplification can become oversimplification, and can destroy essential protections for children who otherwise would not have access to an appropriate, adequate education or a permanent home and family. An example of the latter is the Federal Assistance Reform Act, S.807, which was introduced in the Senate last session.

FY 1982 Proposals

Legal Services. The Reagan Administration sought to eliminate funding for the Legal Services Corporation completely, and to include legal services for the poor only as a component of a much larger block grant. Congress rejected this approach and kept legal services out of the block grant. The Corporation is currently funded through March under a continuing resolution with an almost one-third reduction from previous spending levels, and must be reauthorized if it is to survive.

Last summer, the House passed a bill that reauthorized the Corporation at $241 million for 1982, but contained substantial restrictions on legal services attorneys' ability to effectively represent poor children and their families. These restrictions included prohibiting legal services lawyers from lobbying on behalf of their clients, from bringing class action suits against federal, state, or local governments, and from legal assistance related to desegregation. The House appropriations bill incorporated these restrictions by reference.

The Senate has not yet passed a reauthorization bill. However, the Senate Appropriations Committee has recommended $241 million for the program, and included limitations on lobbying and class action suits.

Federal Assistance Reform Act. Advocates scored a success in 1981 by helping convince Congress to postpone action--at least temporarily--on S.807, the Federal Assistance Reform Act. This bill, if enacted, would make it easier for the Administration

to wipe out basic protections for children, the poor, and minorities by speeding approval of block grants and circumventing normal legislative processes, which allow Congress to look carefully at the effects of such proposals. The bill, which passed the Senate in 1980, was scheduled for 1981 Senate action. However, a coalition of advocates vocally opposed the "fast track" portions of the bill, which would have enabled the President to introduce block grant proposals for congressional approval with even less process and congressional review than the hurried 1981 budget votes.

The Rules Committee requested an opportunity to consider these fast track provisions, and reported out a version that basically restored the normal congressional process for consideration of block grant proposals. The bill was not considered on the floor in 1981, but could still come up in 1982. Advocates should be alert to its possible scheduling and to similar attempts to thwart normal congressional procedures for meaningful examination of proposals for block grants.

Administrative Dismantlement. Although Reagan Administration legislative proposals have received the greatest attention, simultaneous broadscale weakening and nonenforcement of laws and guarantees under existing regulations are occurring. Many of these regulatory dismantlement steps have been taken under the guise of simplification, cost cutting, and shifting responsibilities to the states. But few have been conducted in a fair and thoughtful manner attempting to balance the interests of the most vulnerable children in our society against "efficiency" concerns. Moreover, many regulation reviews have been carried out under OMB direction rather than by the agency with expertise in the substantive area. Examples of the Administration's undermining of congressionally mandated protections by executive fiat abound:

- o In an area of high priority, access to preventive medical care, the Administration is trying to achieve by regulation what has been rejected by Congress. After much hard bargaining Medicaid's medically needy program for children was salvaged in the process that culminated in the Omnibus Budget Reconciliation Act. Despite Congress' refusal

to allow states complete discretion in their medically needy programs about which groups and services to cover and its explicit protection of children under 18 years of age, DHHS issued regulations that allow states complete discretion to cut children from their Medicaid rolls and to eliminate basic cost-effective medical services that avoid the need for more costly care.

- Vulnerable homeless children in the child welfare system were denied vital protections enacted by Congress in 1980 because the Administration failed to implement them. The Adoption Assistance and Child Welfare Act of 1980 provides essential safeguards to preserve families and save children from the limbo of foster care. By failing to issue regulations and to monitor compliance with the Act, the Administration has allowed federal funds to be dispersed with no assurance that the Act's purposes are being met.
- The Department of Health and Human Services, in their rush to gut the important preventive health or dental checkups for children under Medicaid, totally circumvented public rulemaking procedures required by law and sent out informal notices to the states, allowing them to ignore regulations enforcing the Early and Periodic Screening, Diagnosis, and Treatment Program (EPSDT). Although the Department has admitted its action was illegal, and has agreed to rescind it after challenge, it is apparent that they intend to do what they can to undermine this cost-effective program aimed at detecting and treating poor children's medical problems.

FY 1983 Proposals

Legal Services. The Administration has proposed once again to abolish the Legal Services Corporation. In the interim, the Administration has appointed new board members who have actively opposed the concept of a separate Legal Services Corporation. The battle to reauthorize legal services, and the effort to

attach crippling amendments to reauthorization, will continue. If these restrictions, particularly limitations on class actions and lobbying, prevail, legal services attorneys will be deprived of some of the most effective and appropriate tools for protecting children's interests.

In the past, over a million of the nation's most disadvantaged citizens and their families have been served by over 323 local legal services programs located throughout the country. Over 30 percent of legal services cases have involved family issues. Legal services attorneys represent children in neglect proceedings; protect them from lead poisoning by enforcing local housing ordinances banning lead-based paint; obtain necessary educational and health services for handicapped children; and help destitute mothers and children get AFDC, food stamps, WIC, or Medicaid when they need it.

The impact of funding reductions is already being felt. Legal services programs are laying off staff, shutting down neighborhood offices, and reducing the number of cases they can handle. Many people desperately in need of legal help are going unserved. Greatly increased burdens will be placed on privately funded litigants and advocates to protect poor children and families in areas previously covered by public legal services.

Federal Assistance Reform Act. The sponsors of the Federal Assistance Reform Act have actively pursued passage of similar legislation in the past two years, and they will likely continue their efforts. If passed, S. 807, or its equivalent, would dilute congressional power and capacity to carefully review Presidential block grant proposals; prohibit Congress from amending such proposals; encourage across-the-board deregulation; threaten the important civil rights guarantees built into federal assistance programs; and abolish all existing maintenance-of-effort requirements in federal assistance programs, which will result in a dramatic decrease in funds available to children and families under certain federal-state or federal-local programs.

Administrative Dismantlement. As we see preliminary reports from the task forces on deregulation and from OMB, it is clear further Administration efforts to cut back on vital protections for children and to eliminate federal enforcement are planned. For example:

- Having admitted the program's proven effectiveness, the Administration still wants to tamper with Head Start. It has launched a wholesale review of the implementing regulations for the program with the aim of eliminating the very requirements that make the program so successful in helping poor children. The proven performance standards, which guarantee a comprehensive program for the whole child, meeting nutritional, medical, mental health, and dental, as well as education, needs, are threatened as the review is being completed.
- Under the guise of regulatory flexibility, the Department of Health and Human Services has targeted for revision those regulations that provide basic protections to Medicaid beneficiaries. Standards for the minimum amount of medical care states must provide, fundamental as well as due process safeguards to ensure fair administration, and civil rights protections are all being "reviewed."
- Unsuccessful in its attempts to repeal the Education for the Handicapped program by block granting it in 1981, the Administration is using the regulatory process to weaken its guarantees to handicapped children. Not only does it hope to eliminate the agency charged with enforcement of the program -- the Department of Education -- but by eliminating key implementing regulations, the Administration hopes to remove the emphasis on parental participation in their children's education and the assurance of essential related services, without which many handicapped children have no real access to education.

Unless advocates are successful in challenging in court these regulatory dismantlements that violate statutory protections, millions of poor children will be denied access to medical and educational benefits as well as protection from needless break-up of their families.

CHAPTER 22

CIVIL RIGHTS

The Reagan Administration has ushered in a new national atmosphere on civil rights that threatens to undermine the hard-earned progress of the last two decades toward racial justice and equal opportunity.

The current effort to turn back the clock and encourage racial divisiveness has five dimensions:

1. A constitutional dimension with efforts to amend the Constitution and forbid affirmative action and busing.
2. Legislative efforts to limit the jurisdiction of the courts and the remedies they (as well as federal agencies) may require to correct illegal discrimination and segregation.
3. Legislative efforts to take away the tools for minority and poor citizens to challenge or overcome racial injustice. These involve attempts to weaken the Voting Rights Act of 1965, to eliminate the Legal Services Corporation, to restrict civil rights litigation by legal services lawyers, and to reduce attorneys' fees provisions in civil rights cases.
4. Administrative dismantlement and/or weakening of civil rights provisions and enforcement, including shifting the burden of proof in racial discrimination cases to the victims rather than the perpetrators.
5. Exercising administrative discretion to avoid making findings of discrimination.

This slackening of concern for upholding the law and eradicating racial discrimination has unleashed anew the racism

in the nation and threatens a new era of racial polarization, violence, and regression.

The Reagan Administration's own actions evidence a broad-scale determination to undermine the enforcement of civil rights laws. The implications for children and their families are clear: no longer is the federal government a dependable ally in ensuring equal opportunity or equal access to schools, jobs, or benefits for minorities, women, and the handicapped. Some of the Administration's actions have been highly visible, but many others have gone relatively unnoticed.

Administrative Activity

Much of this retreat in civil rights enforcement has been in the area of school desegregation:

- The Administration's most visible action to date has been to reverse a long-standing policy against tax-exempt status for private schools that practice segregation. The Administration stated that the Internal Revenue Service had no authority to make such judgments, whereas in fact the Supreme Court has ordered them to withhold tax-exempt status from these schools. In the public outcry that followed this announcement, the Administration said that it would ask Congress to grant unneeded statutory authority to the IRS in this area.
- The Justice Department has supported efforts to roll back desegregation decrees already in place in Chicago, Los Angeles, Dallas, and Seattle.
- The Justice Department has announced that it will no longer resort to busing as a remedy even in proven cases of illegal school segregation.
- The Justice Department has recommended that the federal government drop a school-housing discri-

mination suit against Yonkers, New York. Robert D'Agostino, Deputy Assistant Attorney General for Civil Rights, disputed in a memo on this case the federal government's claim that "Blacks, because of their family, cultural and economic background, are more disruptive in the classroom on the average." He concluded from this that Black children would benefit from programs for the emotionally disturbed.

- The Administration repealed the Emergency School Aid Act in FY 1982. This program had provided financial aid for desegregating school districts.

The retreat on civil rights enforcement has not only harmed Black and Brown children, it has also affected the non-English-speaking and the handicapped.

- The Department of Education withdrew proposed regulations for bilingual education.

- The Vice President's Task Force on Regulatory Review has proposed sharply curtailing the Section 504 regulations, which guarantee basic protections for our handicapped citizens.

Women and minorities have lost ground in their effort to overcome discriminatory barriers:

- The Office of Federal Contract Compliance Programs and the Equal Employment Opportunity Commission were both cut by 20 percent in the FY 1982 budget.

- The Administration has "flip-flopped" several times on reauthorization of the Voting Rights Act.

- In congressional testimony, the Administration has proposed substituting a standard of "intent" for a standard of "adverse impact" or "effect." Intent to discriminate is difficult to prove; in many cases, it is impossible to prove. Such a standard would place a heavy burden on victims of discrimination.

- The Administration has supported several congressional initiatives to reverse affirmative action programs. In addition, the Assistant Attorney General for Civil Rights stated that he will no longer seek mandatory quotas in employment discrimination cases, but will instead seek "voluntary" transfers to eliminate the effects of past discrimination.

There has been a sharp drop-off in agency enforcement of civil rights. Officials at Justice, Education, and other agencies have adopted "less confrontational" modes of resolving complaints than have been used in previous administrations. These agencies are not conducting legally required investigations and oversight. The result is a relaxation of federal requirements.

Legislative Activity

A number of legislative initiatives have been introduced in the 97th Congress to curtail civil rights enforcement. The Reagan Administration is supporting several of these initiatives.

The Senate recently passed the strongest anti-busing legislation ever proposed. Bills have been introduced to limit the federal courts' jurisdiction in desegregation cases and to prohibit the courts' use of busing as a remedy.

An anti-affirmative action constitutional amendment has been re-introduced by Senator Hatch. This amendment provides that:

- neither the federal government nor any state could make or enforce any law that makes distinctions on the basis of race, color, or national origin;
- no employer could "voluntarily" take race, color, or national origin into account in any employment decision or program (thereby overturning the Weber decision);
- goals, quotas, timetables, ratios, and numerical objectives that draw distinction based on race, color, or national origin would be prohibited;
- no laws could be adopted that make illegal actions that have a disparate impact on groups if such actions were not taken with an intent to discriminate (thereby overturning the Griggs decision);
- no court could impose affirmative action decrees that would be prohibited by other sections of the amendment; and

- class-based relief would be eliminated.

This amendment would imperil decades of civil rights activity. Generally, Congress has set out broad standards and requirements, and has directed the appropriate federal agencies to specify what the Constitution requires by way of remedy. Congress has not attempted to instruct the courts. Senator Hatch's amendment would turn this around; it would also repeal several landmark Supreme Court decisions.

There are several other legislative assaults on affirmative action that have been introduced in 97th Congress:

- proposals to eliminate EEOC's pattern and practice programs;

- proposals to curtail EEOC's policy implementation and guideline writing;

- proposals to end EEOC's role as the lead federal agency for equal employment opportunity programs;

- proposals to eliminate OFCCP's authority to accept and process complaints, whether individual or class, and to limit the remedies OFCCP can compel (principally back pay, reinstatement, and retroactive seniority); and

- proposals to require charging parties to elect only one forum in which to seek redress of their complaints.

Part III

Alternative Budget Cuts for FY 1983

ALTERNATIVE BUDGET OPTIONS

White House Executive Residence Operations

Although it's a small thing, we feel it important for all of us to tighten our belts. Since President Carter's last full year, direct residential expenses have increased annually by $800,000. While we want President and Mrs. Reagan to live comfortably, we would prefer to use the proposed annual increase toward replacing 40 percent of the child abuse prevention services which the President proposes to cut.

Savings: $800,000.

Agriculture Credit Insurance Fund

Originally this program made very low-interest loans to low-income family farms, and more expensive, but still subsidized, loans to more prosperous farmers. President Reagan intends to continue the program, but to charge all borrowers the Treasury rate. Coupled with his tax program, this has the perverse effect of charging the poorest farmers about 10.5 percent and the wealthiest 5.25 percent effective annual interest after taxes. We suggest charging low income family farmers (150 percent of the poverty level) 5.25 percent and letting the rest go. The savings should cover the President's proposed reductions in the supplemental feeding program (WIC).

Savings: $300 million.

Whenever a landowner receives payment for coal or iron ore extracted from his, her or (in the case of a corporation) its property, the money is not taxed as income. Instead it is treated as a capital gain, and taxed at a much lower rate. The justification is quite straightforward: if the land were sold with the coal or iron ore still in it, the sales value attributable to the minerals would only be taxed at the capital gains rate, so why not tax it at that rate when the minerals are sold without the land. The reason we should not give the special tax break is even more straightforward: nobody else gets IRS to agree to "what if" tax rates.

Savings: $140 million

Elimination of the depletion and expensing tax breaks for oil.

Savings: $4.3 billion

Elimination of tax breaks for manufacturers of a host of "exhaustible" resources: sand, rock, clam shells, etc.

Savings: $465 million

Farmers not only benefit from direct aid and federal loans but also from a wide range of special tax provisions that lower the taxes they pay. Some of these provisions help keep family farms in the family when the children inherit them and should be continued. But three agricultural tax benefits work to the advantage of corporate or foreign owners and, in any case, confer little help on small family farms. These three benefits allow expensing of certain investments (as in the case of oil), capital gains treatment of certain income (as in the case of timber), and a unique deduction for the dividends paid by

agriculture cooperatives--the dairy industry in disguise. We propose replacing all this by modest direct subsidies to small family farms at less than one tenth the present cost.

Savings: $1.3 billion

Interest paid to consumer debt (i.e. "time payments" and credit card charges, auto loans, and personal borrowings) is deductible from taxable income if the taxpayer itemizes. The majority of taxpayers--and nearly all those who rent rather than own a home--cannot itemize and so receive no benefit from the deduction. Those who do itemize receive a tax reduction that gets bigger as their income gets higher. The result is perverse. If two families both pay $1,000 of interest on an auto loan, but one makes under $20,000 and the other over $200,000, the lower income family will get back about $200 and the higher income family will get back $500. However fewer than half the families with under $20,000 income could itemize at all, while over 98 percent of the $200,000 group will itemize. We are subsidizing consumer debt among exactly those whose savings the Reagan Administration tells us will lead to increased investments. Having already provided tax breaks to give greater incentive to save among the rich, we should now change them further to decrease their incentives to spend rather than invest. We propose to eliminate the deduction and replace it with a temporary tax credit towards the purchase of a new automobile used to commute to work; the credit to decline in value from $400 at $10,000 income to zero at about $25,000, and end when the recession does.

Net Savings: $4 billion.

Irrigation Water Prices

The federal government sells irrigation water at about one-sixth of its production cost and at roughly 10 percent of the prevailing local market price. We are assuming only half the current level will be sold:

Savings: $700 million

Rivers and Harbors

The President wants to spend $2.6 billion for new construction and current operations of Civil Engineer projects. Congress is doubtless going to spend more. The pity is that this is one program that ought long ago to have been turned back to the states. We propose that all but $600 million be turned back to the states, and states be given the right to impose whatever level of user fees they deem appropriate.

Savings: $2 billion

Clinch River Breeder Reactor

The price of this project has tripled since 1969, and the Department of Energy has already proposed eliminating it since it can no longer provide an economic source of power.

Savings: $200 million

Federal Crop Insurance Corporation

Private enterprise does a wonderful job providing insurance to those able to afford it. Since the Federal Crop Insurance Act of 1980, we have made a good start in turning crop insurance over to private insurers. However, while the actual insurance for crops is placed with private insurers and reinsurance corporations, the federal budget covers all sales, underwriting, and servicing costs, plus pays 30 percent of every farmer's or agricultural corporation's premiums. That costs $700 million a year. We know that farm income is low now and farmers would be unable to absorb the price increase needed to cover the true cost of crop insurance. But since our poorest families have far less income than farmers, and can hardly afford the increase in the cost of food stamps from 30 percent to 35 percent of their income, we propose that Congress reject the food stamp increase entirely as well as put off increasing crop insurance premiums until economic conditions permit.

No savings.

Livestock Grazing Fees

In FY 1976 the Forest Service earned about $1.23 per head for the livestock allowed to graze on the national grasslands. In FY 1983, the charge will be about $1.18 per head. Each animal grazes for about 1.5 months. We think about $10 a head per month will still be cheaper to the ranchers than lot feeding and less than most private rangelands would charge. It would bring in just enough money to restore the Summer Food program for children to its original level.

Savings: $136.8 million.

Income derived from the sale of timber is treated as a long-term capital gain, even when it would meet the IRS's test for ordinary income. About three quarters of the benefit goes to lumbering corporations and about one quarter to individual landowners. Presumably the free market is best able to grow trees when government interference is at a minimum; thus the special provisions for capital gains treatment of timber income should end.

Savings: $670 million

Every corporation gets a special tax break on its first $100,000 of profit. This was meant to help small businesses. Instead it goes to every corporation, including all our profitable giants. The special tax break was instituted in 1979, and since then small business bankruptcy rates have almost doubled. Clearly we have a program that must be redirected to serve only the neediest, and serve them efficiently. We propose that the current tax break be converted to a credit that will phase out once corporate profit reaches $100,000, and that the corporate tax rate be increased by 1 percent to cover the cost of the declining credit.

Savings: $8.5 billion

Elimination of special tax deferrals for artificial corporations, called domestic international sales corporations (DISC's). Originally meant as a subsidy to U.S. exports, the program has primarily benefitted manufacturers of aircraft and defense equipment with little or no discernable impact on U.S. exports.

Savings: $1.6 billion

It is difficult to describe the marketing order system briefly, but the essence is that the federal government restricts the amount of crops that can be sold for human consumption, and thereby raises farm prices. Excess crops are disposed of in ways that often waste food. Among the crops covered are: almonds, avocados, cherries, cranberries, dates, filberts, hazelnuts, limes, melons, nectarines, papayas, raisins, spearmint oil, and walnuts, besides those vegetables and fruits that play a larger role in our diet. Above all, there is milk, and related dairy products. The total cost of the system to consumers, including both the federal direct costs and subsidies, the increase in food prices, and inefficiencies imposed on farmers by the enormous tangle of paperwork and red tape have ranged from $200 million to $2 billion a year. We will assume a savings of $500 million, which is more than enough to restore the cut proposed for the Social Services Block Grant.

Savings: $500 million.

By a combination of direct purchase and offerings of nonrecourse loans, we subsidize sugar and tobacco. Each year roughly $1 billion in new nonrecourse loans are issued. If prices are high, the loans are paid off. If prices are low, the government keeps the commodities and the farmers keep the money. Sugar and tobacco are bad for children's health. We would rather put the money into Medicaid.

Savings: $1 billion, varying with farm prices.

Elimination of new corporate lease provisions in the Economic Recovery Act for corporations not in economic trouble.

Savings: $3 billion

Petroleum prices have temporarily stabilized and we are in danger of losing our momentum toward the energy conservation which remains essential for our national security and future economic stability. It is particularly important that energy prices rise smoothly, and not by lags and great leaps. For each 25 cents tax imposed on a barrel of refined petroleum products, prices increase by about 1 percent. We propose such a tax, to be increased by 25 cents in years when energy prices lag. It can be repealed in the event of another oil crisis. This year's yield from such a tax could more than restore energy assistance cuts for low-income families.

Savings: $1.45 billion

Only about 1 percent of the current military personnel would be eligible for food stamps, and they are primarily low-paid enlisted persons with large families. However, 1 percent of almost 2 million enlisted persons is about 20,000 families. In fact, in 1980, almost $23 million worth of food stamps were cashed in military commissaries alone, and that must be only a portion of the total received by military families. We propose that all food stamp allotments to current military personnel, military retirees, and disabled veterans and their widows be transferred to the Defense Department Budget.

Transfer: $50 million

The Defense Department operates almost 300,000 units of family housing. But military families are not assigned housing on the basis of need. Low-ranking enlisted personnel (under grade E-4, and E-4s with less than two years of service) are not eligible regardless of the size of their families. Higher-grade enlisted personnel (E-4 through E-6) are given lower priorities than officers and senior NCOs regardless of need. Finally, ranking officers (O-4 or -5 and up) are given three-bedroom houses even if they have no dependents at all. Since military housing allowances for low-grade personnel are also based in part on military pay grade, it is exactly the families excluded from military housing who are least able to afford private housing. The GAO has estimated that among the military families ineligible for military housing, 61 percent were living in substandard units or paying more than 25 percent of their income (including allowances) for housing, or both. In a separate study, GAO has estimated that almost 30 percent of all federally subsidized (non-military) housing near five U.S. Army military bases were occupied by these military personnel. The Defense Department cannot find the documents that first established these policies--issued before World War II--and no longer knows why it has them. We propose that they assign military housing on the basis of need --regardless of rank--and that DOD reimburse local housing programs for all federally subsidized housing occupied by military families.

Transfer: $1 billion

Elimination of double civilian and military pay to military reservists who are also federal employees during summer training. We would limit payments to the higher of civilian or military pay.

Savings: $60 million

At least 23,000 AFDC families are the families of disabled veterans, current or retired military personnel. The total is probably between 50,000 and 100,000 such families. We propose that the Defense Department reimburse the full costs of AFDC to military families, including those of pensioned veterans and their widows.

Transfer: $150 million

The President wants to spend $833 million more on nuclear weapons production and related activities, an 18 percent increase over last year. We do not know much about what goes into making a Mark 12A. But the personnel who stuff the warheads would like to buy 165 more cars than they did last year, an 87 percent increase. We suggest they try to make do for another year with the cars they have.

Savings: $1.65 million.

Eliminating military unit cost overruns in the dozen weapons systems described in the overview. The cost overruns in these systems alone would total more than $50 billion if projected over the whole planned buy of weapons. Of course some weapons have already been delivered in previous fiscal years and others will not be delivered until later years. In any one year the effect upon delivered weapons will run $8 to $10 billion.

Savings: $8-10 billion

The Military Morale, Welfare, and Recreational Fund runs a variety of activities. They range from riding stables to golf courses. Worldwide there are more than 1,000 "open messes" running bars and liquor stores, on military facilities. This system costs more than $600 million a year in appropriated funds. Indirectly it costs $1 or $2 billion more in lost taxes and revenues because prices charged are less than free market prices. We propose that morale, welfare, and recreational activities be operated at civilian prices and by civilians wherever possible. The profits should be returned to the treasury as receipts. Direct appropriations should pay for those individual services and benefits that are appropriate to an employer or of special value to the military. However the subsidy should be on a sliding scale to reflect the ability to pay of military families.

Savings: $1.6 billion

Foreign Military Sales Trust Fund

By combining orders for arms from foreign governments with those placed by our own armed services, we can save money from longer arms production runs. But the federal government has a problem that will be familiar to every small businessperson: the cost of carrying receivables. There is a bit of a lag from the time we deliver the goods and send out the bill until we see the check. Our military supermarket has grown so popular that even that small loss amounts to about $200 million a year, year after year. Increasing our arms prices by an average of 2 percent will cover the loss. But it will also fund legal services for our nation's poor, indeed even allow a small increase in that program from the level to which it has been currently reduced.

Savings: $200 million.

Elimination of the Defense Department servant program.

Savings: $5 million.

Sending DOD nonpriority messages by mail rather than teletype.

Savings: $20 million.

Having the Army sell rather than give, transport, and install free, industrial machines to its contractors.

Savings: $58 million.

Elimination of veterinary services for the pets of military personnel.

Savings: $1.4 million.

Operation of Secretary Weinberger's private dining hall at the Pentagon on a self-sufficiency basis.

Savings: $400,000.

Operation of four additional Pentagon executive dining rooms on a self-sustaining basis.

Savings: $1.3 million.

Appendix

Categorical Children's Programs, FY 1982 and FY 1983

Children's Programs	FY 1982 Current Policy[a]	FY 1982 Funding Level Now[b]	FY 1982 Proposed Level[c]	FY 1983 Proposed Level[d]	Percent Cut From Level Now[e]	Percent Cut Since FY 1981[f]
Child Care and Child Welfare						
Head Start	$ 904.0	$ 911.7	$ 911.7	$ 912.0	0.0%	+ 0.9%
Social Services Block Grant	3,099.0	2,400.0	2,400.0	1,974.1	- 17.7	- 36.3
Indian Social Services	33.7	26.3	26.3	22.0	- 16.4	- 34.8
Work Incentives (WIN)	394.9	245.8	245.8	0.0	-100.0	-100.0
Appalachian Area Development	159.4	59.2	59.2	0.0	-100.0	-100.0
Community Services Block Grant	586.1	336.5	336.5	100.0	- 70.3	- 82.9
Rehabilitation Services[g]	1,045.1	953.5	953.5	650.0	- 31.8	- 37.8
Runaway Youth	11.0	10.5	10.5	6.6	- 37.2	- 39.9
Juvenile Delinquency Prevention	116.4	70.0	70.0	0.0	-100.0	-100.0
Child Abuse State Grants	7.4	6.7	6.7	4.6	- 31.3	- 37.8
Social Service Demonstrations[h]	48.4	29.5	29.5	30.8	+ 4.4	- 36.3
Foster Care[i]	346.0	321.6	321.6	-		
Adoption Assistance[i]	10.0	10.0	10.0	-		
Child Welfare Services	177.0	156.3	156.3	-		
Child Welfare Training	5.6	3.8	3.8	-		
New Block Grant	538.6	491.7	491.7	380.1	- 22.7	- 29.4
Subtotal	$ 7,482.6	$ 6,033.0	$ 6,033.0	$ 4,080.2	- 32.4	- 45.5

Categorical Children's Programs, FY 1982 and FY 1983
(continued)

Children's Programs	FY 1982 Current Policy[a]	FY 1982 Funding Level Now[b]	FY 1982 Proposed Level[c]	FY 1983 Proposed Level[d]	Percent Cut From Level Now[e]	Percent Cut Since FY 1981[f]
Child Health						
Preventive Health Block Grant	$ 107.4	$ 81.6	$ 81.6	$ 81.6	0.0%	- 24.0%
Mental Health Block Grant	585.8	432.0	432.0	432.0	0.0	- 26.3
Community Health Centers Block Grant	350.5	248.2	248.2	-		
Black Lung Clinics	4.9	3.2	3.2	-		
Migrant Health	46.8	38.1	38.1	-		
Family Planning	175.1	123.7	123.7	-		
New Block Grant	577.3	413.2	413.2	416.8	+ 0.9	- 27.8
Development Disabilities	64.2	58.7	58.7	41.7	- 29.0	- 35.0
Immunization	32.9	28.3	28.3	28.9	+ 2.0	- 12.4
Venereal Disease Prevention	51.6	38.4	38.4	45.6	+ 18.9	- 11.5
Maternal and Child Health Block Grant (excludes W.I.C. transfer)	494.6	347.5	347.5	347.5	0.0	- 29.7
Subtotal	$ 1,913.9	$ 1,399.7	$ 1,399.7	$ 1,394.1	- 0.4	- 27.2

Categorical Children's Programs, FY 1982 and FY 1983
(continued)

Children's Programs	FY 1982 Current Policy[a]	FY 1982 Funding Level Now[b]	FY 1982 Proposed Level[c]	FY 1983 Proposed Level[d]	Percent Cut From Level Now[e]	Percent Cut Since FY 1981[f]
Nutrition						
School Lunch[j]	$ 2,738.5	$ 2,045.4	$ 2,045.4	$ 2,220.9	+ 8.6%	- 18.9%
School Breakfast[k]	413.2	335.0	335.0	-		
Child Care Food[k]	391.0	276.9	276.9	-		
New Block Grant	804.2	611.9	611.9	448.0	- 20.2	- 39.3
Child Care Equipment	15.0	0.0	0.0	0.0	0.0	-100.0
Summer Food	132.1	61.1	61.1	0.0	-100.0	-100.0
Nutrition Education	16.6	5.0	5.0	0.0	-100.0	-100.0
Commodities	395.5	75.7	75.7	79.0	+ 4.4	- 80.0
Special Milk Program	121.9	28.1	28.1	0.0	-100.0	-100.0
Supplemental Food (W.I.C.)[l]	1,028.5	934.1	934.1	652.5	- 30.1	- 36.6
State Administrative Cost	44.5	44.5	44.5	35.4	- 20.4	- 20.4
Subtotal	$ 6,101.0	$ 4,437.8	$ 4,437.8	$ 3,475.8	- 21.7	- 43.0

Categorical Children's Programs, FY 1982 and FY 1983
(continued)

Children's Programs	FY 1982 Current Policy[a]	FY 1982 Funding Level Now[b]	FY 1982 Proposed Level[c]	FY 1983 Proposed Level[d]	Percent Cut From Level Now[e]	Percent Cut Since FY 1981[f]
Education Programs						
Compensatory Education[m]	$ 3,961.0	$ 2,886.0	$ 2,474.4	$ 1,942.0	- 32.7%	- 51.0%
Handicapped Education[m]	1,201.5	1,042.1	783.5	845.7	- 18.8	- 29.6
Bilingual Education	194.0	138.1	126.6	94.5	- 31.5	- 51.3
Vocational and Adult Education	1,021.5	739.7	633.9	500.0	- 32.4	- 51.1
Indian Education	89.5	77.9	71.6	51.1	- 34.3	- 42.9
Follow Through	44.3	19.4	0.0	0.0	-100.0	-100.0
Women's Educational Equity	10.0	5.8	0.0	0.0	-100.0	-100.0
Civil Rights IV-A Centers	45.7	24.0	0.0	0.0	-100.0	-100.0
Higher/Continuing Education[n]	447.6	358.6	326.8	247.2	- 31.1	- 44.8
Student Financial Assistance[o] (Pell, Work/Study, Direct)	4,482.6	3,352.5	3,211.0	1,800.0	- 46.3	- 59.8
Subtotal	$11,497.6	$ 8,644.1	$ 7,627.8	$ 5,480.5	- 36.6	- 52.3

Categorical Children's Programs, FY 1982 and FY 1983
(continued)

Children's Programs	FY 1982 Current Policy[a]	FY 1982 Funding Level Now[b]	FY 1982 Proposed Level[c]	FY 1983 Proposed Level[d]	Percent Cut From Level Now[e]	Percent Cut Since FY 1981[f]
Miscellaneous						
Public Service Employment	$ 3,800.0	$ 0.0	$ 0.0	$ 0.0	-100.0%	-100.0%
Job Corps	607.0	586.0	586.0	387.0	- 34.0	- 36.2
Other Youth Employment[p]	1,966.0	832.0	832.0	665.0	- 20.1	- 66.2
Low-Income Energy Assistance	1,849.5	1,752.0	1,752.0	1,300.0	- 25.8	- 29.7
Legal Services	344.0	120.5	120.5	0.0	-100.0	-100.0
Community Development Block Grant	4,038.0	3,966.0	3,966.0	3,335.2	- 15.9	- 17.4
Low-Income Housing (Section 8)	24,956.5	14,485.7	14,485.7	3,804.6	- 73.7	- 84.8
Public Housing	9,376.0	2,374.2	2,374.2	2,323.8	- 2.1	- 75.2
Subtotal	$46,937.0	$24,116.4	$24,116.4	$11,815.6	- 51.0	- 74.8

Notes

[a] Current Policy Level is the funding needed during FY 1982 to provide the same services as were funded by the FY 1981 appropriations in effect at the time President Reagan took office. The base is FY 1981 level before any rescissions (reductions) imposed by the new Administration. Most estimates are those provided congressional committees by the Congressional Budget Office. In a few cases, current service estimates (a similar concept that differs primarily in the extent of adjustment for inflation) or FY 1981 appropriation levels were used by CBO where estimates were not available, or inapplicable.

[b] The FY 1982 funding level, as of February 8, 1982, set in the Continuing Resolution (P.L. 97-92, expiring March 31, 1982) or subsequently enacted appropriations and adjusted within the President's discretion permitted therein. In virtually every case, these amounts are greater than the levels proposed by the President on September 30, 1981, for FY 1982.

[c] These are the levels proposed by the President in his February 8, 1982 budget message to Congress for FY 1982. All the proposed rescissions (reductions) affect education programs.

[d] These are the levels proposed by the President in his February 8, 1982 budget message to Congress for FY 1983 budget authority. (Budget authority is the right to commit the federal government to make an expenditure; where the expenditure is actually made, the budget authority is thereby converted to an outlay.) These figures come from the FY 1983 Budget Appendix or, in a few cases, from agency materials distributed to the press on February 6, 1982.

[e] This is the percentage change from the FY 1982 funding level in effect now (column 2) that would occur if the President's FY 1983 proposal is enacted by Congress. Since the FY 1982 funding levels have not been adjusted for projected inflation from FY 1982 to FY 1983, this percentage accurately reflects cuts in dollars available but underestimates reductions in the amount of services or value that would be lost.

[f] This is the percentage change from the FY 1982 current policy level (column 1, reflecting FY 1981 dollars adjusted for price increases to a FY 1982 equivalent level of services or value) that would occur if the President's FY 1983 proposals (column 4) is enacted by Congress. As in the previous note, there is no adjustment for inflation between FY 1982 and FY 1983. Thus this percentage understates the true loss of services or value proposed by the President since he took office.

[g] Includes $28.6 million in FY 1982 and $26.5 million in FY 1983 for the National Institute of Handicapped Research; FY 1982 current policy estimate also includes the Institute.

[h] Includes Adoption Opportunities, University Affiliated Facilities and Developmental Disabilities demonstration projects, and discretionary research in Child Welfare, Child Abuse, and other social services. The Office of Human Development Services will determine the specific allocations later.

[i] These are currently entitlement programs; FY 1982 estimates may therefore be too low.

[j] School Lunch is technically an entitlement (as is School Breakfast), but is shown here as if it were a fixed appropriation.

[k] The proposal is to block grant School Breakfast and the Child Care Food Program. The implied funding for FY 1983 would be $375.5 million for School Breakfast (if it remained an entitlement) and thus $112.5 million for Child Care Food, a cut of 59.4 percent from FY 1982, and 71.2 percent from the level the program had reached before the Administration began cutting.

[l] The proposal is for W.I.C. to be combined with the existing Maternal and Child Health Block Grant. The FY 1983 level shown here is the level implied for W.I.C. in the combined program.

[m] The proposal is for a repeal of P.L. 94-142, the Education for All Handicapped Children Act, and the block granting of its dollars along with the state school component (P.L. 89-313) of old Title I of the Elementary and Secondary Education Act (now Chapter I of the Education Consolidation and Improvement Act), compensatory education. P.L. 89-313 funds are shown in compensatory education, above: $146.5 million in FY 1982 before rescissions, $116.2 million after rescissions, and, of course, zero in FY 1983.

[n] Upward Bound, Developing Institutions, Graduate Programs for the Disadvantaged, Foreign Language Studies, and several smaller college-level programs, including aid to land grant colleges, first enacted under President Lincoln in 1862.

[o] Also includes minor programs, but does not include guaranteed student loans.

[p] Young Adult Conservation Corps (abolished during FY 1982), and Youth Employment and Summer Jobs proposed for inclusion in an Employment Block Grant in FY 1983. The FY 1983 levels shown assume that states use the proposed FY 1983 Block Grant funds in the same proportions in the FY 1982 programs replaced.

Entitlement Programs, FY 1982 and FY 1983

Program	FY 1982 Approximate Current Policy	FY 1982 Reduction In Effect P.L. 97-35	FY 1982 Further Reduction Proposed	FY 1983 Current Policy	FY 1983 Reduction Proposed
Food Stamps	$ 12,311	$ 1,658	$ 273	$ 11,825	$ 2,294
Percent of Current Policy	100.0 %	13.5 %	2.2 %	100.0 %	19.4 %
AFDC	$ 6,893	$ 1,000	$ 166	$ 6,609	$ 1,155
Percent of Current Policy	100.0 %	14.5 %	2.4 %	100.0 %	17.5 %
Medicaid	$ 20,138	$ 1,193	$ 977	$ 14,461	$ 1,536
Percent of Current Policy	100.0 %	5.9 %	4.9 %	100.0 %	10.6 %
Totals	$ 39,342	$ 3,851	$ 1,416	$ 32,895	$ 4,985
	100.0 %	9.8 %	3.6 %	100.0 %	15.2 %

FAMILY PROTECTION ACT

What Is The Family Protection Act?

The Family Protection Act contains more than 30 separate legislative proposals affecting key areas of family life and federal law including child abuse, school prayer, education block grants, and numerous provisions of the Federal tax laws. Some of them have the backing of the Reagan Administration and some have already been enacted into law.

It was first introduced in 1980 by Senator Paul Laxalt (R-NV) and Representative Steve Symms (R-ID; now a Senator).

A revised version--S.1378 and H.R.3955--was introduced in 1981 in the Senate by Senator Roger Jepsen (R-IA) and Representative Albert Lee Smith (R-AL)."

Portions of the first two versions of the Act have already been enacted by Congress and chief sponsors intend to

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*Cosponsors are: H.R.3955 - Mark Siljander (MI), William Dannemeyer (CA), Philip Crane (IL), Daniel Crane (IL), Jim Jeffries (KA), George Hansen (ID), Larry MacDonald (GA), and Earl Hutto (FL). S.1378 - Edwin Garn (UT), Orrin Hatch (UT), Paul Laxalt (NV), and Jesse Helms (NC).

In 1981, all of the Senate sponsors voted to dismantle a law which helps children in foster care return home and be placed for adoption.

House sponsors all opposed bills reauthorizing youth employment and legal services programs; and voted for the majority of the budget measures resulting in the reduction of health, education, and other family support services crucial to many of our neediest children and families.

introduce yet another version soon. Some issues--including school prayer and school busing--have already been and continue to be debated on the Senate floor. Other portions of the package, some of them introduced in Congress as separate bills, could be tacked onto other bills making their way through the legislative process.

The preamble of the bill states that in the past some government policies have "undermined and diminished the viability of the American family" and that the legislative changes proposed would help "promote the virtues of the family."

Most of the proposals in the bill reflect a number of themes advocated by the Reagan Administration and congressional representatives of the "New Right." But sponsors of the Act have also included in it some widely supported concepts such as increasing tax relief for child care and care of elderly dependents, and a tax break for adoption of children with special needs. By doing this they have obscured three crucial facts:

- Many of the Act's provisions would constitute a major step backward from national commitments to civil rights, labor, and other fundamental protections for children, minorities, and other vulnerable groups in our society.

- Back-door tax subsidies for what appear to be deserving causes add to the drain on the federal budget, subsidize those who least need the assistance, and circumvent informed public debate about the best way to provide crucial family supports to those who need them most.

- At the same time that the Family Protection Act purports to decrease the role of government in family life, it would impose a fine of up to $5,000 per day on those who violate any of its provisions. Although the bill suggests that a hearing must be held

before the fine is imposed, it does not state either who would hold the hearing or have authority to impose the fine.

What's In The Family Protection Act?

Specific provisions of the proposed Act include:

- Repeal of federal education programs targeted on poor and handicapped children and replacement with education block grants.
- Exemption of church-related day care centers, foster homes, emergency shelters for abused children and spouses, etc. from federal requirements for affirmative action, labor standards, and other program standards except those defined as "reasonable health and fire regulations."
- Prohibition against private agencies' and programs' receiving federal funds to prevent and treat child abuse and neglect--unless the state legislature first voted its approval of the grant.
- Termination of Legal Services lawyers' representation of poor people on issues relating to divorce--including child support and child custody.
- Prohibition of the use of federal funds for educational materials or studies "if such materials do not reflect a balance between the status role of men and women...and do not contribute to the American way of life as it has been historically understood."
- Allowing a local school system to prohibit "the intermingling of sexes in any sports or other school-related activities."

Who Would Benefit from The Family Protection Act?

In large part those who, under the guise of religious freedom, seek to turn back the clock on civil rights and reinstitute practices which discriminate on the basis of race, sex, creed, color, religion, or national origin will benefit from the proposed Act.

Many of these institutions do comply with civil rights laws and policies and will continue to do so, despite the provisions of the Family Protection Act. There will undoubtedly be others, however, which seek or are established solely to avoid these responsibilities and will find refuge in the provisions of the Act.

Under its provisions, institutions and programs affiliated with religious organizations, including schools, foster care programs, child care centers, etc., will be completely shielded from federal laws prohibiting sex discrimination in hiring and admissions. They will also enjoy virtual immunity from any effective remedies to correct longstanding practices which discriminate against program participants and job applicants on the basis of race, color, creed, and national origin. Even those who desire to correct past discriminatory practices through positive voluntary efforts would be prohibited from doing so. Public schools--even if they received federal funds--would be allowed to discriminate in their programs on the basis of sex.

Through creation of a new series of tax breaks, the wealthier families in our society would be encouraged to provide better care for their elderly parents and their children.* However, the benefits would extend to those who least need them. The working poor and average American family would benefit little from these provisions because they do not

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*Preliminary estimates released by Senator Jepsen's office suggest that the cost of these breaks in 1983 alone would be more than $5 billion--more than enough to strengthen at-risk families by restoring proposed cuts in foster care and adoption assistance; education of handicapped and disadvantaged children; and proposed Medicaid cuts which would hurt the elderly, children, and all other family members in the program.

earn enough income to subtract the tax breaks gained. At the same time, more vulnerable children and working families will be paying through the back door for these tax breaks by forfeiting their child care, preventive homemaker services, meals for the elderly, assistance for handicapped children, etc., to fill the budget deficit created by new tax subsidies.

Any state legislature which lacked a commitment to assisting abused children could prevent private as well as public agencies in their state from receiving any federal funds to prevent and treat child abuse--simply by not voting to allow the funds to be spent in the state. A dangerous precedent signaling a return to a "states' rights" policy on issues affecting the lives of millions of American families would be set if this part of the Family Protection Act were approved.

What Is The Status of The Family Protection Act?

Because the Family Protection Act is composed of so many different amendments which must be considered by many different congressional committees, it is unlikely that the bill could ever be considered and acted on at one time by Congress. Proponents of the bill therefore often suggest that "no action is scheduled on it" and that those with concern about or opposed to parts of it should not bother to take it seriously.

However, vigilance is needed. Several concepts in the original or second version of the Family Protection Act have already been enacted into law in similar form or approved by one House of Congress. These include:

- Replacement of some targeted federal education programs with block grants
- Requirement for parental consent before teenagers may receive counseling under the federally funded pregnancy prevention program.

- Restriction prohibiting Legal Services Corporation funds from being used to influence local, state, or federal elected officials on legislation, referenda, or initiatives.

- Tax law revisions, including creation of a tax credit for adoption of children with special needs, reduction of the "marriage tax," and liberalization of tax credits for child care

What Is The Schedule for The Family Protection Act?

Some components of the bill are among the so-called "social issues" which have repeatedly been raised as amerdments to appropriations and other bills in Congress, and which proponents are pushing to have voted on before adjournment in the fall of election year, 1982. These include school busing and school prayer.

Other portions of the Family Protection Act could be offered as amendments at any time related legislation moves through Congress. For example, if Congress decides in 1982 to use the budget "reconciliation" process to make substantive changes in law, proposals relating to education, child abuse, spouse abuse, juvenile justice, etc., might be tacked on that bill. Similarly, congressional action on changes to the tax code could offer a vehicle for the numerous tax changes proposed.

Citizens concerned about what is happening to the average American family in this time of economic crisis and need must monitor the national decisionmaking process carefully and be alert to the threats posed by the Family Protection Act.

Levels of Participation in Human Services Program By Race

Program	Total Number of Participants	Number of Blacks	Percent of Blacks	Period Covered
CETA	52,897,200[a]	921,401	31.8%	FY 79
Summer Jobs	888,000[b]	428,016	48.2	FY 79
Head Start	387,400[c]	160,383	41.4	FY 79
Title XX[d]	6,500,000	unknown	unknown	FY 78
BEOG[e]	1,836,000	624,240	34.0	78-79 school year
Housing/Section 8	365,117	95,230	26.0	12-month period ending 12/31/79
Federally Subsidized Housing[f]	434,762	192,414	44.0	12-month period ending 9/30/79
AFDC				
by family	3,523,294	1,515,016	43.0	FY 77
by children	7,835,803	3,549,631	45.3	FY 77
Food Stamps by Household	5,100,000	1,489,200	29.2	FY 78
SSI	4,216,925	1,151,221	27.3	FY 78
AOA				
Social Services	9,700,000	1,164,000	12.0	FY 79
Nutrition	2,900,000	435,000	15.0	FY 79
Medicaid	20,800,000	5,824,000*	28.0	FY 77

Levels of Participation in Human Services Program by Race
(continued)

Program	Total Number of Participants	Number of Blacks	Percent of Blacks	Period Covered
Medicare				FY 78
65 and over				
Hospital Insurance	23,984,000	2,036,000*	8.5%*	
Supplementary Med. Insur.	2,543,192	1,978,000*	8.4*	
Under 65 and Disabled				
Hospital Insurance	2,793,206	447,753*	16.0*	
Supplementary Med. Insur.	2,543,192	411,031*	16.2*	
WIC	1,581,935	577,996	36.5	FY 79
Social Security	33,439,142	3,496,021	10.45	FY 79
Social Security				1979
Retired	17,182,510	1,390,879	8.1	
Disabled	2,837,432	422,556	14.9	
Wives	3,421,294	229,366	6.7	
Husbands	35,230	2,060	5.8	
Children	5,082,325	1,047,683	20.6	
Widows (non-disabled)	3,980,324	258,354	6.5	
Widowers (non-disabled)	11,887	1,017	8.6	
Widows and Widowers (disabled)	127,276	19,635	15.4	
Widowed parents	583,195	117,223	20.1	
Parents	18,443	2,250	12.2	
Special Age 72 Benefits				
Primary	156,586	4,966	3.2	
Wives	2,140	38	1.8	

Levels of Participation in Human Services Program by Race
(continued)

Notes

* Including all other non-whites

[a] This figure represents combined CETA programs as follows: Title IIB and C, Title IID, Title VIPSE, YETP, YETP Governors Grant, and YCCIP.

[b] The Summer Jobs Program is a component of CETA; however, this figure is an unduplicated count.

[c] Of this figure, 18,200 were children in the summer programs.

[d] Title XX reporting does not collect data on race.

[e] Data on the number and percentage of Blacks is based on a survey. BEOG reporting does not collect data on race.

[f] Federally subsidized housing includes the following programs: Low Rent Section 236 and Rent Supplement Housing. The data base is for families who moved into subsidized housing and families that were re-examined for housing.

State Year-End Fund Balances as a Percentage of General Fund Spending, State Fiscal Years

State	FY 1981 Estimated	FY 1982 Projected
Alabama	4.1%	1.0%
Alaska	23.6	- 9.0
Arizona	8.9	0.9
Arkansas	1.9	0.0
California	1.7	0.0
Colorado	4.1	0.2
Connecticut	- 2.4	- 3.2
Delaware	8.2	8.5
Florida	0.6	0.0
Georgia	1.8	0.0
Hawaii	17.0	8.4
Idaho	0.4	0.8
Illinois	2.4	2.0
Indiana	1.3	- 0.4
Iowa	1.8	1.5
Kansas	12.1	11.0
Kentucky	0.6	0.0
Louisiana	14.8	4.2
Maine	4.3	3.4
Maryland	5.3	5.2
Massachusetts	0.5	- 0.1
Michigan	0.0	- 2.9
Minnesota	- 0.1	- 12.9
Mississippi	7.0	0.1
Missouri	4.9	2.8
Montana	23.4	6.2
Nebraska	8.8	3.4
New Hampshire	- 11.0	- 10.7
New Jersey	3.8	0.4
New Mexico	18.6	17.0
New York	0.1	0.0
Nevada	11.4	14.1
North Carolina	4.9	0.0
North Dakota	49.9	22.9
Ohio	0.2	- 5.9

State Year-End Fund Balances as a Percentage of General Fund Spending, State Fiscal Years (continued)

State	FY 1981 Estimated	FY 1982 Projected
Oklahoma	27.1	18.7
Oregon	0.8	- 13.5
Pennsylvania	1.1	0.0
Rhode Island	4.1	0.0
South Carolina	0.0	0.0
South Dakota	8.9	3.7
Tennessee	1.9	1.6
Texas	20.0	12.8
Utah	5.9	0.0
Vermont	- 0.5	- 3.9
Virginia	11.0	2.7
Washington	0.1	- 3.8
West Virginia	0.8	0.0
Wisconsin	0.7	1.5
Wyoming	30.3	21.1

Comparison of Growth Over Time in Federal and State (including Local) Government Employment and Domestic Expenditures

	1965	1970	1975	1980
Federal Civilian Non-Defense Employment (in millions)	1.493	1.728	1.855	1.928
State Employment (in millions)	8.001	10.147	12.084	13.445
Federal Civilian Non-Defense Employment as a Percent of Total Govt. Employment	15.7%	14.6%	13.3%	12.5%
Federal Civilian Non-Defense Employment as a Percent of Civilian Labor Force	2.01%	2.09%	2.00%	1.84%
Federal Non-Defense Outlays (in billions)	$ 70	$ 118	$ 240	$ 444
Grants to States (in billions)	$ 10.9	$ 24.0	$ 49.8	$ 91.5
State and Local Outlays (in billions)	$ 74	$ 131	$ 228	$ 348
Grants as Percent of Federal Expenditures	15.6%	20.3%	20.8%	20.6%
Grants as Percent of State Expenditures	14.7%	18.3%	21.8%	26.3%
Federal Outlays per Employee	$ 6,885	$ 68,287	$ 129,380	$ 230,290
State Outlays per Employee	9,249	$ 12,910	$ 18,868	$ 25,883
GNP Deflator, Government Sector	60.2	84.8	123.7	176.6
GNP Deflator to 1980	2.9336	2.0825	1.4276	1.0000
Federal Outlays per Employee (1980 dollars)	$ 137,542	$ 142,208	$ 184,702	$ 230,290
State Outlays per Employee (1980 dollars)	$ 27,133	$ 26,885	$ 26,936	$ 25,883

Federal Expenditures for Individual Entitlement Programs,
Fiscal Years 1975, 1981, and 1982, and Percentage Increases

	FY 1975	FY 1981	FY 1982	FY 1975-1982 percent increase	FY 1975-1982 real[a] percent increase
Social Security, Railroad Retirement, Medicare	83.1	185.1	213.5	156.9%	42.7%
Federal Employees' Retirement and Insurance Benefits (civil)	12.1	26.9	30.1	148.8	38.2
Military Pensions and VA Benefits	18.4	28.7	35.5	92.9	7.2
Unemployment Benefits	12.8	20.2	19.4	51.6	- 15.8
Student Loan Insurance[b]	0.1	2.8	2.7	-	-
Non means tested	126.5	263.7	301.2	138.1	32.3
SSI, Black Lung	4.8	8.1	8.9	85.4	3.0
Refugee Assistance[b]	0.1	0.5	0.6	-	-
Housing, Energy Assistance[b]	2.1	8.6	9.3	-	-
Food Stamps, Child Nutrition	6.2	14.8	13.8	122.6	23.6
Medicaid	6.8	17.1	20.6	202.9	68.9
AFDC	5.1	8.5	7.4	45.1	- 19.4
Means tested	25.1	57.6	60.6	141.4	34.1

Federal Expenditures for Individual Entitlement Programs,
Fiscal Years 1975, 1981, and 1982, and Percentage Increases
(continued)

	FY 1975	FY 1981	FY 1982	FY 1975-1982 percent increase	FY 1975-1982 real[a] percent increase
Other payments to individuals	2.0	3.3	3.2	60.0	- 11.1
Individual entitlements	153.6	324.6	365.0	137.6	32.0
Percent of individual entitlements that are means tested	16.3%	17.7%	16.6%		

[a] Deflated by the Consumer Price Index (W) for 1975 and as predicted for 1982 by the Administration.

[b] Programs created or radically changed in character since 1975.

Source: Budget of the United States, Fiscal Year 1982, and Statement of David A. Stockman before the Senate Budget Committee, October 6, 1982.

How Poor Economic Conditions Affect the Federal Deficit

When:	Revenue Increases (in billions)	Outlay Increases (in billions)	Deficit Increases (in billions)
Unemployment increases 1%	- $12.0	+ $7.0	+ $19.0
GNP increases 1%	+ 5.0	- 3.0	- 8.0
Inflation increases 1%	+ 1.0	+ 1.3	+ 0.3
Interest Rates increase 1%	---	---	+ 2.3

Effects of the Omnibus Reconciliation Act of 1981 on Sharon Haller After February 1, 1982

Budget if she continues to work at the same job		Budget if she does not work and her family lives on AFDC	
$ 187*	gross earned income		
- 50	work expenses (part-time)		
$ 137	countable income		
$ 327	AFDC payment standard		
- 137			
$ 190	monthly AFDC benefits	$ 327	monthly AFDC benefits
$ 146	net earnings**		
+ 190	AFDC benefits	$ 327	AFDC benefits
$ 336	total cash available	$ 327	AFDC benefits
+ 171	Food Stamps	+ 179	Food Stamps
$ 507	total income/benefits	$ 506	total income/benefits

Effects of the Omnibus Reconciliation Act of 1981 on Sharon Haller Food Stamp Budgeting After February 1, 1982***

If she continues to work		If she does not work	
$ 187	gross earned income		
- 33	18% earned income deduction		
$ 154	net income		
+ 190	AFDC benefits	$ 327	AFDC benefits
$ 344		$ 327	
- 85	standard deduction	- 85	standard deduction
$ 259		$ 242	
- 54	excess shelter allowance	- 62	excess shelter allowance
$ 205	countable income	$ 180	countable income
$171	Monthly Food Stamp Benefits	$ 179	Monthly Food Stamp Benefits

* $86 gross pay every 2 weeks multiplied by 2.15.

** $68 "take-home" pay every 2 weeks multiplied by 2.15.

*** While there will be no change in the way food stamps are figured on February 1, 1982, Mrs. Haller will lose the AFDC $30 and 1/3 work incentive disregard on February 1. This will cause her food stamp benefit level to be recomputed.

Benefit Changes Due to the
Omnibus Reconciliation Act of 1981

Sharon Haller
(Mother and 3 children)

Budget Prior to October 1		Budget October 1 - January 31		Budget After February 1, 1982	
$ 187*	Gross Earned Income	$ 187*	Gross Earned Income	$ 187*	Gross Earned Income
- 30	minus $30 and	- 50	work expenses (part-time)	- 50	work expenses (part-time)
- 52	and 1/3 work incentive	$ 137		$ 137	
$ 105		- 30	minus $30 and		
- 50	work expenses**	- 36	1/3 work incentive		
$ 55	countable income	$ 71	countable income		
$ 327	AFDC payment standard	$ 327	AFDC payment standard	$ 327	AFDC payment standard
- 55		- 71		- 137	
$ 272	monthly AFDC benefits	$ 256	monthly AFDC benefits	$ 190	monthly AFDC benefits
$ 146	net earnings***	$ 146	net earnings***	$ 146	net earnings***
+ 272	AFDC benefits	+ 256	AFDC benefits	+ 190	AFDC benefits
$ 418	total available cash	$ 402	total available cash	$ 336	total available cash
+ 136	Food Stamps	+ 142	Food Stamps	+ 171	Food Stamps
$ 554	total income/benefits	$ 544	total income/benefits	$ 507	total income/benefits

* $86 gross pay every 2 weeks multiplied by 2.15.

** work expenses include all payroll withholding taxes (Federal, State, City), Social Security, transportation expenses, clothing, etc.

*** $68 "take-home" pay every 2 weeks multiplied by 2.15.

CDF
195

SAMPLE LETTER

Dear Senator/Representative,

I am writing to ask you to vote in favor of enough money for the Food Stamp Program.

We all know how inflation has raised prices, especially at the grocery store. So many people, including the working poor, the elderly, and children, need the help of food stamps to give their families enough to eat.

I heard at my church that people get only 46 cents a meal now, so please don't cut the program. I think it's a program which provides real and practical help for people. Please let me know how you plan to vote.

Sincerely,

Joan M. Thomas
Peoria, Illinois

OTHER RESOURCE ORGANIZATIONS

For information on the budget cuts in areas where CDF does not have staff expertise, contact the appropriate organization, listed below. At least one contact person is listed for each organization.

Food Stamps, WIC
Center on Budget and Policy Priorities
236 Massachusetts Avenue, NE #305
Washington, DC 20002
(202) 544-0591
Bob Greenstein, Stefan Harvey

Child Nutrition
Food Research and Action Center/
National Anti-Hunger Coalition
1319 F Street, NW
Washington, DC 20004
(202) 393-5060
Nancy Amidei, Ed Cooney

Low Income Energy Assistance
National Consumer Law Center
236 Massachusetts Avenue, NE
Washington, DC 20002
(202) 543-6060
Carol Werner

Housing
National Low Income Housing Coalition
215 8th Street, NE
Washington, DC 20002
(202) 544-2544
Kate Crawford/Cushing Dolbeare

Employment
National Employment Law Project
236 Massachusetts Avenue, NE
Washington, DC 20002
(202) 544-2185
Larry Glantz

Runaway Youth, Juvenile Justice
National Network of Runaway and Youth Services
1705 DeSales Street, NW
Washington, DC 20036
(202) 466-4212
Randal Mecham

Family Planning
The Alan Guttmacher Institute
1220 19th Street, NW #305
Washington, DC 20036
(202) 296-4012
Susan Cohen

Community and Migrant Health Centers
National Association of Community Health Centers
1625 I Street, NW #420
Washington, DC 20006
(202) 833-9280
Dan Hawkins

Civil Rights
National Urban League
425 13th Street, NW #515
Washington, DC 20004
(202) 393-4332
Maudine Cooper

NAACP
1025 Vermont Avenue, NW #820
Washington, DC 20005
(202) 638-2269
Althea Simmons

General Budget Information
AFL-CIO Budget Coalition
815 16th Street, N.W., #309
Washington, DC 20006
(202) 637-5086
Barbara Warden

Block Grants
Ad Hoc Coalition on Block Grants and Entitlements
Center for Community Change
1000 Wisconsin Ave., NW
Washington, DC 20007
(202) 338-3134
Pablo Eisenberg/Andy Mott

KEY MEMBERS OF CONGRESS ON CHILDREN'S ISSUES

Alabama

Senate:

Jeremiah Denton (R)	Chairman of the Aging, Family and Human Services Subcommittee of the Labor and Human Resources Committee

Alaska

Senate:

Ted Stevens (R)	Majority Whip

California

Senate:

Alan Cranston (D)	Minority Whip

House:

George Miller (D) (7th District)	Children's Advocate on the Education and Labor Committee
Leon Panetta (D) (16th District)	Important Member of the Budget Committee
Henry Waxman (D) (24th District)	Chairman of Health and the Environment Subcommittee of the Energy and Commerce Committee

Connecticut

Senate:

Lowell P. Weicker (R)	Chairman of the Labor and Human Resources Subcommittee on Handicapped

Delaware

Senate:

William Roth, Jr. (R)	Chairman of the Governmental Affairs Committee and member of the Finance Committee

Florida

Senate:

Lawton Chiles (D)	Key Democrat on the Budget and Appropriations Committees

House:

L.A. "Skip" Bafalis (R) (10th District)	Ranking Minority Member on the Public Assistance and Umeployment Subcommittee of the Ways and Means Committee

Illinois

House:

Robert Michel (R) (5th District)	Minority Leader
Dan Rostenkowski (D) (8th District)	Chairman of the Ways and Means Committee
Edward Madigan (R) (21st District)	Ranking Minority Member on the Health and the Environment Subcommittee of the Energy and Commerce Committee

Indiana

Senate:

Dan Quayle (R)	Member of both the Budget and the Labor and Human Resources Committees

Kansas

Senate:

Robert Dole (R)	Chairman of the Finance Committee and of the Nutrition Subcommittee of the Agriculture, Nutrition and Forestry Committee

Kentucky

Senate:

Walter Huddleston (D)	Ranking Minority Member of the Agriculture, Nutrition and Forestry Committee

House:

William Natcher (D) (2nd District)	Chairman of the Labor/Health and Human Services and Education Subcommittee of the Appropriations Committee
Carl Perkins (D) (7th District)	Chairman of the full Education and Labor Committee and its Subcommittee on Elementary, Secondary, and Vocational Education

Louisiana

Senate:

Russell B. Long (D)	Ranking Minority Member on the Finance Committee

Massachusetts

Senate:

Edward M. Kennedy (D)	Ranking Minority Member on the

Edward Kennedy (cont.)	Labor and Human Resources Committee
House:	
Silvio Conte (R) (1st District)	Ranking Minority Member on the Labor/Health and Human Services and Education Subcommittee of the Appropriations Committee
Thomas P. O'Neill (D) (8th District)	Speaker of the House
Michigan	
House:	
Carl Pursell (R) (2nd District)	Key "Gypsy Moth" who serves on the Labor/Health and Human Services and Education Subcommittee of the Appropriations Committee
John Dingell (D) (16th District)	Chairman of the Energy and Commerce Committee (which includes Subcommittee on Health and Environment.)
William Brodhead (D) (17th District)	Children's Advocate on the Ways and Means Committee
Minnesota	
Senate:	
David Durenberger (R)	Key Republican on the Finance Committee and Chairman of the Health Subcommittee; and Chairman of the Subcommittee on Intergovernmental Relations of Governmental Affairs Committee
House:	
Arlen Erdahl (R) (1st District)	Ranking Minority Member of the Select Education Subcommittee of the Education and Labor Committee

Mississippi

House:

Jamie Whitten (D) (1st District)	Chairman of the Appropriations Committee
Trent Lott (R) (5th District)	Minority Whip

Missouri

Senate:

Thomas Eagleton (D)	Ranking Minority Member on the Governmental Affairs Committee and Member of the Subcommittee on Labor/Health and Human Services and Education of the Appropriations Committee

House:

Richard Gephardt (D) (3rd District)	Key Member of both the Budget and the Ways and Means Committees

New Mexico

Senate:

Harrison Schmitt (R)	Chairman of the Labor/Health and Human Services, Education Subcommittee of the Appropriations Committee
Pete V. Domenici (R)	Chairman of the Budget Committee

New York

Senate:

Daniel Moynihan (D)	Member of both the Finance and the Budget Committees

House:

Frank Horton (R) (34th District)	Ranking Minority Member of the Government Operations Committee

Barber Conable (R) (35th District)	Ranking Minority Member on the Ways and Means Committee

North Carolina

Senate:

Jesse Helms (R)	Chairman of the Agriculture Nutrition & Forestry Committee

House:

Ike Andrews (D) (4th District)	Chairman of the Human Resources Subcommittee of the Education and Labor Committee
James T. Broyhill (R) (10th District)	Ranking Minority Member on the Energy and Commerce Committee

Ohio

House:

Delbert Latta (R) (5th District)	Ranking Minority Member on the Budget Committee
John Ashbrook (R) (17th District)	Ranking Minority Member on Education and Labor Committee

Oklahoma

House:

James Jones (D) (1st District)	Chairman of the Budget Committee

Oregon

Senate:

Mark O. Hatfield (R)	Chairman of the Appropriations Committee

Pennsylvania

House:

William Goodling (R) (19th District)	Ranking Minority Member of the Elementary, Secondary, and Vocational Education Subcommittee

William Goodling (cont.)	of the Education and Labor Committee
Rhode Island	
Senate:	
Claiborne Pell (D)	Ranking Minority Member on the Education, Arts, and Humanities Subcommittee of the Labor and Human Resources Committee
South Carolina	
Senate:	
Ernest F. Hollings (D)	Ranking Minority Member on the Budget Committee and Member of the Appropriations Committee
Tennessee	
Senate:	
Howard Baker, Jr. (R)	Majority Leader
House:	
Harold Ford (D) (8th District)	Chairman of the Public Assistance and Unemployment Compensation Subcommittee of the Ways and Means Committee
Texas	
House:	
Jack Brooks (D) (9th District)	Chairman of the Government Operations Committee
Jim Wright (D) (12th District)	Majority Leader and Member of the Budget Committee
E. de la Garza (D) (15th District)	Chairman of the Agriculture Committee

Utah

Senate:

Orrin Hatch (R)	Chairman of the Labor and Human Resources Committee

Vermont

Senate:

Robert T. Stafford (R)	Chairman of the Education, Arts, and Humanities Subcommittee of the Labor and Human Resources Committee

Virginia

House:

William C. Wampler (R) (9th District)	Ranking Minority Member on the Agriculture Committee

Washington

House:

Thomas Foley (D) (5th District)	Majority Whip

West Virginia

Senate:

Robert Byrd (D)	Minority Leader
Jennings Randolph (D)	Ranking Minority Member of the Subcommittee on the Handicapped of the Labor and Human Resources Committee

Wisconsin

Senate:

William Proxmire (D)	Ranking Minority Member on the full Appropriations Committee and its Subcommittee on Labor/ Health and Human Services and Education

House:

Thomas E. Petri (D) (6th District)	Ranking Minority Member on the Human Resources Subcommittee of the Education and Labor Committee

Members of Congress can be reached by dialing the Capitol Hill switchboard at (202) 224-3121. Addresses and phone numbers for Senators' and Representatives' home offices can be found in local telephone directories.

CDF
208

SENATE AND HOUSE SCHEDULES 1982

Senate Recess

February 12 - 22
April 2 - 13
May 28 - June 7
July 2 - 12
August 27 - September 8

House Recess

February 11 - 16
April 7 - 19
May 28 - June 1
June 25 - July 11
August 20 - September 7
October 8 - Adjournment target

THE CONGRESSIONAL BUDGET TIMETABLE

Within 15 days after Congress starts a new session, the President transmits his budget proposals, accompanied by a budget message. At this point Congress becomes the forum for budget activity, and the process becomes a more open and accessible one.

February-March 15, 1982

Authorizing committees-the ones responsible for substantive programs and policies-debate and formulate recommendations for the budgets of programs within their jurisdictions. Committee decisions made in this period are extremely important. If a committee does not request Budget Committee approval of funding for a new or continuing piece of legislation at this point, it is difficult for the legislation to progress and be approved that year.

Authorizing committees must also indicate how they intend, if they do, to save money in the coming fiscal year-either by providing less funding for some programs or by creating new sources of revenue (for example, through measures designed to prevent "waste" or improve efficiency).

Recommendations to the Budget Committees do not mention every program by name. But it is important to ensure that the general committee targets incorporate all

your concerns, so that later in the year no one can delay or kill an authorizing bill by arguing that it was not accounted for in the budget recommendations.

This can be done by identifying one or more strong proponents on an authorizing committee and urging them to speak publicly about the program and gain the support of their colleagues.

Some authorizing committee discussions are open to the public, and the text of each committee's budget recommendations is usually published after decisions are made.

These meetings provide an important opportunity to inform members of Congress about needed children's programs and enlist their support.

The process does, however, present special problems because it occurs early in the congressional year, often long before members see the text of the actual bills they will approve or reject. In the first year of a two-year Congress, such decisions occur before new committee members, new members of Congress, and new staff have had an opportunity to immerse themselves in the issues. Thus, the process tends to reinforce the power and persuasive abilities of the senior members at the beginning-or even before the beginning-of their terms.

During the same period, the Budget Committees hold public hearings to receive testimony on the President's budget. Although it is unusual for individuals to testify, these hearings provide

a good opportunity for organizations of advocates to make their case directly to the committees. If you live in the state of a Budget Committee member, that member may take special pains to arrange for your group to testify if you make a request in advance.

March 15 - April 15, 1982

Congress takes steps that eventually lead to adoption of the First Concurrent Resolution on the Budget. The resolution (similar to a bill) contains general, nonbinding spending targets for the fiscal year. In this period:

1. House and Senate Budget Committees hold "markups" in which they take action on budget proposals in each spending category. A spending category, known as a function, consists of several programs presumed to address similar national goals. (One category, for example, is called Education, Training, Employment, and Social Services-Function 500. The Senate's first budget resolution for FY81 included $29.4 billion for this function.) Debate at these meetings ranges from the very specific, "Should we delete funds from the social services block grant by $50 million" to the very general. "Should the final budget deficit be $29 billion or $33 billion?"

2. Each committee approves a budget resolution containing its priorities in general areas of spending and revenue sharing.

March 31, 1982

Continuing appropriations bill providing fiscal 1982 funding for programs in Departments of Health and Human Services, Education and

others expires, Congress must extend it in some form in order for programs to continue operating until October 1.

April 15-May 15, 1982

The following steps occur:

1. The full House and Senate debate and approve a budget resolution. Like any other legislation, the resolution approved by the committees may be amended on the House or Senate floor. The floor debate provides an opportunity for members of Congress to go on record and express their concerns about broad and specific budget issues. This is the time to (1) write, call, or visit your Senators and Representative and express your views on the proposed resolutions and (2) encourage proponents of children's programs to speak up and make a strong case for them during the debate.

2. Assuming there are differences between the House and Senate budget resolutions, members of both Budget Committees are appointed to a conference committee to develop a compromise agreement. Even if the two versions of the resolution have similar overall spending and revenue totals, they may reflect very different program priorities. Advocates need to determine how children's programs are treated in each of the resolutions and inform conferees of the importance of supporting provisions most advantageous for children. Each year CDF and other national organizations can give you the names of the conferees.

3. The House and Senate each vote to approve the compromise resolu-

tion reported by the conference committee.

May 15, 1982

This is a crucial date in the congressional budget timetable for two reasons:

1. All authorizing legislation (creating a program or continuing an existing one) must be reported from the authorizing committees by this date. Otherwise the legislation can receive consideration by the full House or Senate only if the Budget Committees grant a special waiver.

2. After this date-but not before-committees may report entitlement bills or omnibus Social Security legislation.

<u>This means that advocates pushing for reauthorization of a program must pursue their goal through two separate processes from January to May 15:</u>

o through the budget process, to ensure that funds are set aside for the program and removed by the Budget Committees, the full House or Senate, or the conference committee;

o through the authorization process, to ensure that the authorizing committee has held hearings and taken action on the bill before May 15.

May 15-September 15, 1982

This time working toward approval of a binding Second Concurrent Resolution on the Budget, Congress reconsiders the decisions reflected in the first resolution. The administration and Congress develop new, more current economical assumptions; the Budget Committees hold hearings and approve

the second resolution; and both houses and a conference committee approve it. The second resolution-unlike the first-is binding.

During this period it is important to watch carefully for any changes in economic assumptions or spending recommendations that could affect children's programs. If cuts are to be made, write, call, or visit Budget Committee members and your own Senators and Representative to urge their support for these programs.

While Congress is acting on the second resolution, the House and Senate Appropriations Committees are also making decisions that have an impact on the final budget figures. When approved by the full Congress and signed by the President, these bills provide detailed item-by-item spending authority for almost all government programs-unlike the second budget resolution figures, which are broad totals.

Thus, it is important during the summer to make your case to both the Budget and the Appropriations Committees.

September 15-25, 1982

As happened with the fiscal 1981 budget, it is possible for Congress to approve appropriations bills providing for more spending than is allowed in the second resolution.

When this occurs, a procedure called reconciliation may go into effect. Under reconciliation, Congress can order the affected authorizing and Appropriations Committees to revise their plans for spending to conform with the second resolution totals.

	For fiscal 1982, Congress considered and passed a $35 billion "reconciliation bill" which made major substantive changes in hundreds of federal programs. It in effect became a substitute for most other substantive legislation pending in Congress. At the time the President's budget was released, it was not clear whether Congress would use the reconciliation approach to make changes in fiscal 1983.
October 1, 1982	The new fiscal year begins.

*This timetable has been excerpted from "Children and the Federal Budget - How to Influence the Budget Process" published by the Children's Defense Fund.

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The Children's Defense Fund (CDF) is a national public charity created to provide a long-range and systematic voice on behalf of the nation's children. A private organization supported by foundation and corporate grants and individual donations, CDF has never taken government funds.

CDF's goal is to encourage the nation to meet the basic survival needs of all its children and to invest in the future by providing for children before they get sick, drop out of school, or get into trouble. Through research, public education, monitoring of federal and state administrative and legislative policies and practices, network building, technical assistance to national, state, and local groups, litigation, community organizing, and formation of specific issue coalitions, CDF works to ensure that the needs of children and their families are placed higher on the nation's public policy agenda.

CDF's staff of about 60 includes health, education, child welfare, mental health, and child care specialists, researchers, public policy and data analysts, lawyers, networkers, and community organizers. Located primarily in Washington, D. C., CDF also maintains offices in Jackson, Mississippi, and Columbus, Ohio.

CDF is organized into four program areas: Education, Child Health and Mental Health, Child Welfare, and Child Care and Family Support Services. In each area, CDF provides a range of assistance to policymakers, national, state, and local groups, parents, and citizens. Through its Children's Network, CDF provides a variety of information and support to organizations and leaders interested in working on behalf of children and their families. Network services include: a toll-free line (800-424-9602); a wide range of publications on children's issues; technical assistance to state and community groups; policy briefings and training seminars, local action kits and materials; and periodic action alerts on budget, legislative, and federal agency developments affecting children and their families. A monthly newsletter, CDF Reports, keeps network members abreast of national developments affecting children and provides a forum for state and local groups to learn about successful local programs and policies for children and their families.

CDF PUBLICATIONS

Children and the Budget

A Children's Defense Budget: An Analysis of the President's Budget and Children	$ 10.50
Children and the Federal Budget: How to Influence the Budget Process	2.50
A Child Advocate's Guide to Capitol Hill: 97th Congress	2.75
Third National Legislative Agenda for Children	1.10
Child Watch Manual	7.50
Local Action Kits (AFDC; Education; Health; Child Care; Social Services)	1.10
Religious Action Kit	1.10

CDF's Monthly Newsletter

CDF Reports	
Individuals	15.00
Organizations	30.00

Advocacy Tools

Where Do You Look? Whom Do You Ask? How Do You Know? Information Resources for Child Advocates	5.50
It's Time to Stand Up for Your Children: A Parent's Guide to Child Advocacy	2.50
America's Children and Their Families: Key Facts	3.00

Child Health

EPSDT: Does It Spell Health Care for Poor Children?	5.50
EPSDT Implementation Packet	10.00
Doctors and Dollars Are Not Enough: How to Improve Health Services for Children and Their Families	4.40
Children Without Health Care	2.20

Paying Children's Health Bills: Dos and Don'ts in Tight Fiscal Times	$ 3.00
The Title V Maternal and Child Health and Crippled Children Program: A Guide	3.00

Mental Health

Unclaimed Children: The Failure of Public Responsibility for Children in Need of Mental Health Services	to be priced

Child Welfare

Children Without Homes	5.50
For the Welfare of Children	2.50
Helping Children Without Homes: A Primer on P.L. 96-272	to be priced
Making P.L. 96-272 Work for Children and Families	to be priced

Child Care

The Child Care Handbook	7.50

Education

Children Out of School in America	5.50
School Suspensions: Are They Helping Children?	5.50
94-142 and 504: Numbers that Add Up to Educational Rights for Handicapped Children	2.50
How to Help Handicapped Children Get an Education: A Success Story	2.20
Your School Records	1.10

Racial Justice

Portrait of Inequality: Black and White Children in America	5.50

Juvenile Justice

Children in Adult Jails	$ 4.40

Corporate Policies: Work-Family Linkages

Employed Parents and Their Children: A Data Book	10.00
A Corporate Reader	5.50

Housing Discrimination

A Brief Overview of Housing Discrimination Against Families with Children	1.50

Information About CDF

What Is the Children's Defense Fund?	Free
Building a House on the Hill for Our Children: CDF's Children's Public Policy Network	1.65

Now Available

CDF Tee-shirt	5.50

Posters

CDF Logo Poster "Dear Lord Be good to me The sea is so wide And my boat is so small"	4.40
Every Child Deserves to Grow Up Healthy Poster	3.30
Portrait of Inequality: Black and White Children in America Poster	1.00

Publications may be ordered from the CDF Publications Department. Prices include a postage and handling charge. Bulk discount rates are available. Orders under $10 must be prepaid.